

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Leesburg,  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



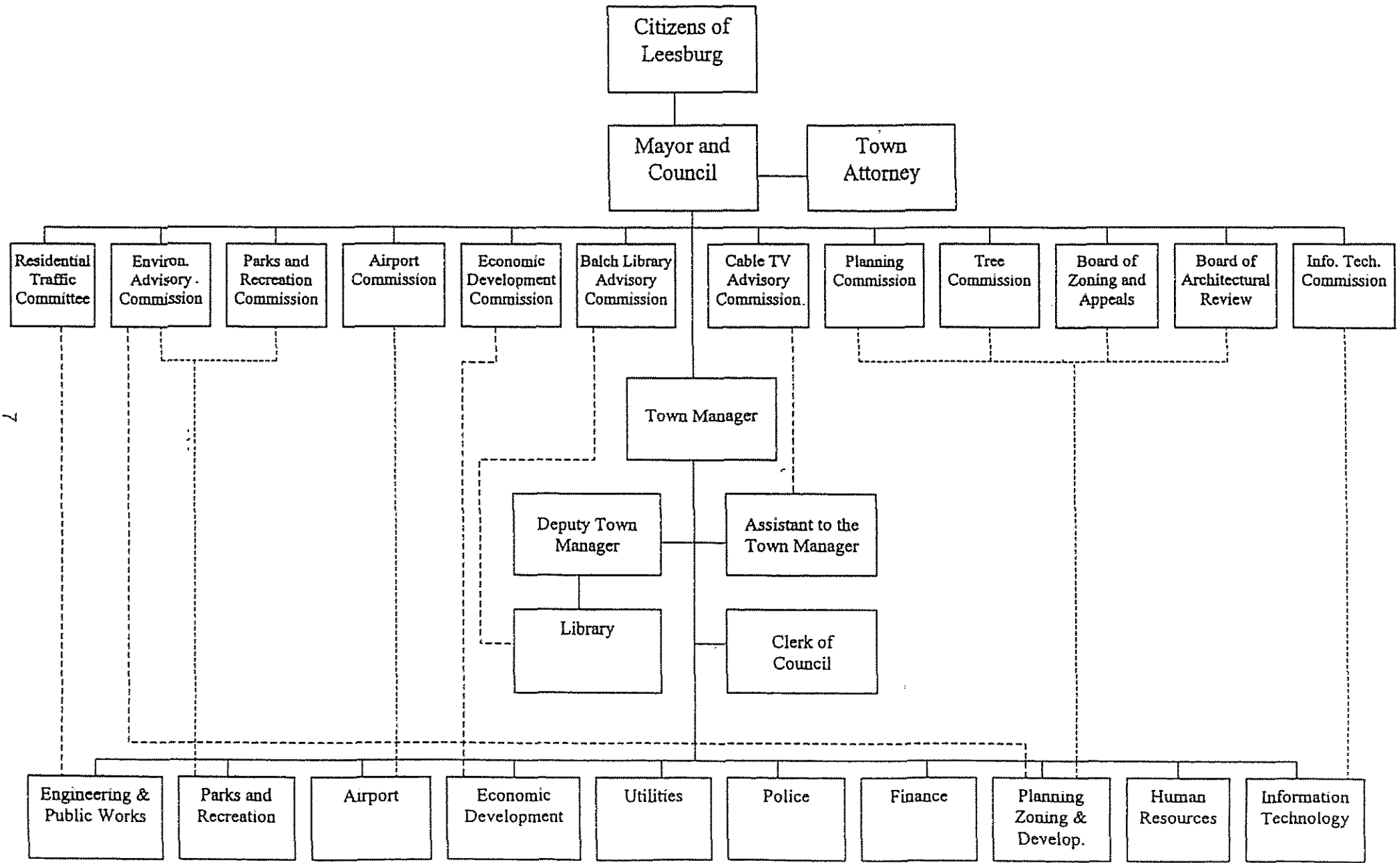
A handwritten signature in black ink, appearing to read "Edward H. Hargrove".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

# Town of Leesburg Organizational Chart



**TOWN OF LEESBURG, VIRGINIA**

**LIST OF PRINCIPAL OFFICIALS**

**June 30, 2003**

**TOWN COUNCIL**

Kristen C. Umstattd, Mayor  
Mervin V. Jackson, Vice Mayor  
James F. "Frank" Buttery, Jr.  
Melinda H. Kramer  
Fernando "Marty" Martinez  
David B. Schmidt  
Robert J. Zoldos

**TOWN OFFICIALS**

Robert S. Noe, Jr., Town Manager  
Phillip L. Rodenberg, Deputy Town Manager  
Paul E. York, Director of Finance  
William Donnelly, III, Town Attorney  
Judith W. Ahalt, Clerk of Council  
Thomas A. Mason, Director of Engineering and Public Works  
Susan Swift, Director of Planning, Zoning and Development  
Randolph W. Shoemaker, Director of Utilities  
Kaj Dentler, Director of Parks and Recreation  
Dona Wolf, Human Resources Director  
Michel Agujia, Director of Information Technology  
Douglas McNeely, Airport Director  
Joseph R. Price, Police Chief





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## INDEPENDENT AUDITORS' REPORT

Mensel D. Dean  
Gregory W. Geisert  
Herman W. Hale  
John L. Vincie, III  
Keith L. Wampler  
Daniel B. Martin  
Sean R. O'Connell  
Kevin D. Humphries  
Bradford R. Jones  
Virginia B. Miller  
John E. Zigler, Jr.  
Michael T. Kennison

To the Honorable Mayor and Members of Council  
Town of Leesburg  
Leesburg, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Leesburg, Virginia, as of and for the year ended June 30, 2003, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the Town adopted Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financials*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Leesburg, Virginia, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 2, 2003 on our consideration of the Town of Leesburg's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis (pages 11 to 18) and the required supplementary information (page 57) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Leesburg, Virginia's basic financial statements. The combining nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, and the Schedule of Expenditures of Federal Awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We did not audit the other data included in this report, designated as the "Introductory Section" and the "Statistical Section" in the table of contents of this report and, accordingly, we express no opinion on such data.

PBGM, LLP

Harrisonburg, Virginia  
October 2, 2003

## MANAGEMENT'S DISCUSSION AND ANALYSIS

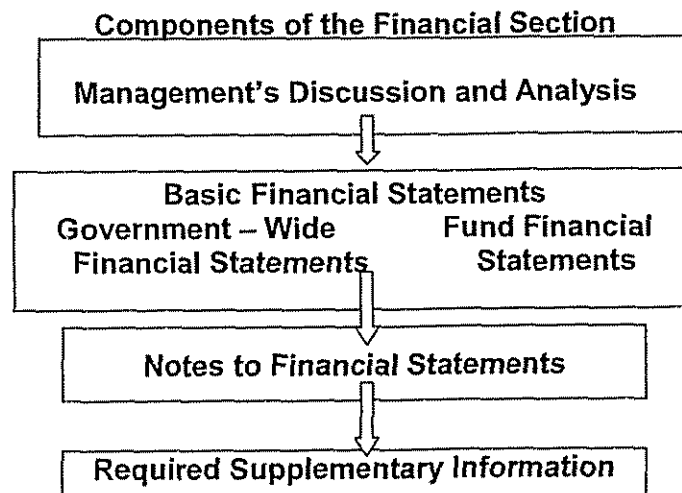
The following discussion and analysis of the Town of Leesburg's (Town) financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2003. Please read it in conjunction with the transmittal letter located in the introductory section of this report and the Town's basic financial statements, which follow this analysis.

### FINANCIAL HIGHLIGHTS FOR 2003

- On the government-wide basis, total net assets at June 30, 2003 were \$236.7 million which includes \$54.9 million of unrestricted funds.
- Total General Fund revenue collections were above the final budgeted amounts by approximately \$176,000.
- The business-type activities net assets at June 30, 2003 totaled \$130.4 million which represents an increase of \$7.7 million. Of this amount, \$41.5 million is unrestricted.
- The Town's total outstanding long-term debt is \$81.7 million, which is a decrease of \$4.3 million from the prior year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town of Leesburg's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.



- ❖ **The Government-Wide Statements.** The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town, as a whole, and present a longer-term view of the Town finances.

One of the most important questions asked about the Town finances is, "Is the Town as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in ways that help answer this question.

The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. One can think of the Town net assets – the difference between assets and liabilities – as one way to measure the Town's financial health or financial position. Over time, increases or decreases in the Town net assets are one indicator of whether its financial health is improving or declining.

The Statement of Activities reports the change in net assets. All of the current year's earned revenues and expenses are recorded regardless of when cash is received or paid. You will need to consider other non-financial factors, however, such as changes in the Town property tax base and the condition of the Town capital assets, to assess the overall financial health of the Town.

In the Statement of Net Assets and the Statement of Activities, the Town is divided into two kinds of activities:

- **Governmental Activities.** Most of the Town's basic services are reported as governmental activities, including public safety, public works, library, parks, recreation and cultural, community development, and general government. Property and other local taxes, and state and federal grants finance most of these activities.
  - **Business-type Activities.** The Town Water and Sewer operations (Utilities Fund) and Airport Fund are reported as business-type activities as the Town charges a fee to customers to cover all or most of the cost of the services they provide.
- ❖ **Fund Financial Statements.** For governmental activities, the fund statements tell how the services were financed in the short term as well as what remains for future spending. Fund financial statements report the Town's operations in more detail than the government-wide statements by providing information about the Town's major funds and non-major funds in the aggregate.

The fund financial statements provide detailed information about the most significant funds – not the Town as a whole.

The Town has two types of funds, governmental and proprietary.



**Governmental Funds.** Most of the Town's basic services are reported in governmental funds, which focus on (1) how resources flow into and out of those funds and (2) the remaining balances at year-end that are available for spending. These funds are reported using an accounting method called modified accrual basis of accounting. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation accompanying the fund financial statements.

**Proprietary Funds.** When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported using the full accrual basis of accounting method. The Town's business-type funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows. The Town Utilities and Airport funds are accounted for as enterprise funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of Leesburg's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with non-major government funds are presented immediately following the required supplementary information on pensions.

## **FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE**

This is the first year the Town has applied Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The Town has not presented the prior period for the purpose of providing comparative data for the Management's Discussion and Analysis (MD&A) because certain prior-year information is unavailable. However, in future years, when prior-period information is available, a comparative analysis of the government-wide data will be presented.

**Statement of Net Assets.** The schedule below summarizes the Statement of Net Assets as presented in the government-wide financial statements.

In the Town's business-type activities, the majority of net assets are classified as Invested in Capital Assets, net of related debt. Unrestricted net assets amounted to \$41,536,355. In the Town's governmental activities, the majority of net assets are also classified as Invested in Capital Assets, net of related debt. Unrestricted net assets amounted to \$13,411,700. It should be noted that infrastructure assets and accumulated depreciation on capital assets are included this year, a requirement mandated by GASB 34. Infrastructure assets represents \$66.6 million of the \$92.9 million of governmental activities investment in capital assets, net of related debt. Investment in capital assets, net of related debt, is calculated by subtracting the non-current liabilities of the Town, exclusive of compensated absences from the book value of capital assets. The remaining difference between assets and liabilities is classified as unrestricted net assets. Total unrestricted assets in governmental activities and business-type activities are \$54,948,055.

**Summary Statement of Net Assets  
June 30, 2003**

	Governmental Activities	Business-Type Activities	Total Primary Government
Current and other assets	\$ 25,970,399	\$ 45,510,229	\$ 71,480,628
Capital assets, net	132,914,421	128,167,640	261,082,061
<b>Total assets</b>	<b>158,884,820</b>	<b>173,677,869</b>	<b>332,562,689</b>
Current and other liabilities	14,512,495	4,870,490	19,382,985
Long-term liabilities	38,016,003	38,428,812	76,444,815
	<b>52,528,498</b>	<b>43,299,302</b>	<b>95,827,800</b>
<b>Net assets</b>			
Invested in capital assets, net of related debts	92,944,622	88,842,212	181,786,834
Unrestricted	13,411,700	41,536,355	54,948,055
<b>Total net assets</b>	<b>\$ 106,356,322</b>	<b>\$ 130,378,567</b>	<b>\$ 236,734,889</b>

**Statement of Activities.** Below is a summary of the Statement of Activities as presented in the government-wide financial statements.

**Summary of Change in Net Assets  
Year Ended June 30, 2003**

	Governmental Activities	Business-Type Activities	Totals
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 3,002,277	\$ 8,657,533	\$ 11,659,810
Operating grants and contributions	6,743,609	-	6,743,609
Capital grants and contributions	1,485,483	13,544,368	15,029,851
General revenues:			
Property taxes	8,658,468	-	8,658,468
Other local taxes	8,784,696	-	8,784,696
Grant and contributions not restricted to specific programs	2,656,314	-	2,656,314
Other	2,112,369	743,137	2,855,506
<b>Total revenues</b>	<b>33,443,216</b>	<b>22,945,038</b>	<b>56,388,254</b>
<b>Operating Expenses</b>			
Legislative	231,213	-	231,213
Executive	2,736,232	-	2,736,232
Legal	193,460	-	193,460
Planning, zoning and development	1,422,467	-	1,422,467
Finance	1,654,638	-	1,654,638
Public safety	6,664,907	-	6,664,907
Parks and recreation	4,968,397	-	4,968,397
Balch Library	533,222	-	533,222
Engineering and public works	9,481,451	-	9,481,451
Interest	1,859,616	-	1,859,616
Airport	-	1,277,756	1,277,756
Water and sewer	-	12,084,993	12,084,993
<b>Total expenses</b>	<b>29,745,603</b>	<b>13,362,749</b>	<b>43,108,352</b>
<b>Increase in net assets before transfers</b>	<b>3,697,613</b>	<b>9,582,289</b>	<b>13,279,902</b>
Transfers	1,813,548	(1,813,548)	-
Net assets, beginning	100,845,161	122,609,826	223,454,987
Net assets, ending	<b>\$ 106,356,322</b>	<b>\$ 130,378,567</b>	<b>\$ 236,734,889</b>

The Town's revenues are derived from a number of sources. The biggest source comes from property taxes, which include real estate and personal property taxes. Other local taxes, such as business licenses, meals and transient occupancy make up the balance of other local taxes. Charges for services represent planning and zoning fees, fines and forfeitures and recreation fees. Operating grants and contributions primarily represent state and federal funding for non-capital operating expenditures. Capital grants and contributions represent grants from outside entities designated for capital projects and availability fees for water and sewer connections.

For the fiscal year ended June 30, 2003, total expenses in the governmental activities section are divided into ten categories with the majority in executive, public safety, parks and recreation, and engineering and public works. In the business-type activities, the airport and water/sewer expenses are the proprietary (enterprise) operations of the Town, and represent the operational expenses of this business-type activity.

## **FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

### **Governmental Funds**

Major governmental funds consist of the General Fund, Debt Service Fund and two Capital Projects Funds and provide for the majority of the governmental operations of the Town.

As of the end of the fiscal year, the Town's General Fund undesignated fund balance that could be used for future purposes was \$5,567,239. Key factors contributing to this are as follows:

- Of the \$5,567,239 undesignated fund balance remaining at year end, Town Council has adopted a policy that 10% of annual expenditures (\$3.2 million for this year) is the minimum required unreserved balance to be maintained at all times.
- The annual assessment of real estate in the Town continues to provide growth in tax revenue along with the tax on personal property. Revenues from consumer related taxes such as meals, transient occupancy, sales and use, and cigarettes, grew at a slower rate than in the past due to a weak economy and the residual effects of September 11.
- Actual expenditures were lower than the adopted budget due to numerous spending cuts and delays in filling vacant positions in response to a projected shortfall in revenues due to the weak economy.

### **General Fund Budgetary Highlights**

Budget adjustments on the expenditure side included federal funds for police and the adoption of the mid-year budget. Mid-year budget adjustments totaled \$272,950 and included items such as operation funding for the new Freedom Park and a parking study. Although increases in the total budget appropriations were adopted for certain departments, overall General Fund operation expenditures were approximately \$2.5 million less than the final budgeted amounts. Total supplemental appropriations added to the original budget totaled \$676,611.

### **Proprietary Funds**

The Town's proprietary funds consist of the Utilities Fund and the Airport Fund. Water and sewer activities are supported solely by fees assessed from users of Town-provided water and sewer services. Revenues generated by these funds are sufficient to provide for annual operating costs as well as long-term debt service payments as prescribed by the bond agreement.

Airport revenues consist of leases, fixed based operator fees and tie-down fees, as well as FAA grants. These revenues support the operations of the municipal airport as well as capital expenditures, ie. hangar expansion and runway improvements.

For the fiscal year ending June 30, 2003, the Utilities Fund's unrestricted net assets were \$41.4 million. Revenues within the Utilities Fund remained strong with the steady collection of availabilities and service fees from new commercial and residential construction in Town. Expenditures increased due to normal increases in personnel and operating costs and the addition of ten new positions. These positions were added to operate the expanded water pollution control plant and utility lines division. For the fiscal year ending June 30, 2003, the Airport Fund's unrestricted fund balance was \$131,059. Airport Fund revenues increased slightly, however the Fund still relies on a yearly General Fund transfer for its operations. The General Fund transferred \$299,117 to the Airport Fund for fiscal year 2003. With the completion of the airport terminal renovation and the increase fees from rental space, the need for General Fund transfers should decrease in the future. Airport Fund expenses increased due to normal increases in personnel and operating costs.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2003, the Town had invested \$261,082,061 (net of accumulated depreciation) in capital assets. This amount represents an increase in cost of \$33.5 million, or 17% from the last fiscal year, excluding the recording of infrastructure. Please refer to Note 6 of the footnotes for a more detailed presentation of the capital assets.

#### Capital Assets June 30, 2003

	Governmental Activities	Business-Type Activities
Buildings and improvements	\$ 46,010,833	\$ 2,236,063
Land	25,070,943	10,675,419
Runway	-	12,424,868
Equipment	2,743,820	3,235,228
Software	-	13,000
Vehicles	2,625,438	-
Infrastructure	85,048,117	-
Construction in progress	636,176	5,163,725
Water and sewer systems	-	118,471,825
Hangars	-	3,184,882
Accumulated depreciation	(29,220,906)	(27,237,370)
Capital assets, net of accumulated depreciation	<u>\$ 132,914,421</u>	<u>\$ 128,167,640</u>

This year's major capital asset additions included: Freedom Park at a current year cost of \$600,000 and a project total cost of \$2.8 million; Ida Lee Recreation Center at a current year cost of \$2.2 million; and a cost of \$1.2 million to complete the Catoctin Circle road improvements. The GASB 34 reporting requirement to include infrastructure assets at cost in the amount of \$85 million is new this year as well.

## **Long-Term Obligations**

At June 30, 2003, the Town had several long-term debt issuances outstanding. These include \$39,606,108 for the business-type activities and \$40,779,125 for the general government. Long-term liabilities include compensated absence balances of approximately \$1 million.

The Town's available legal debt margin mandated by the Commonwealth of Virginia is \$326.6 million which is computed based on 10 percent of the assessed value of real estate subject to taxation less applicable bonded debt outstanding.

The Town has adopted a debt policy that establishes guidelines and limitations for the issuance of debt. The debt policy addresses the level of indebtedness the Town can reasonably expect to incur without jeopardizing its financial position and to ensure the efficient and effective operation of the Town. Please refer to Note 8 of the footnotes for a more detailed presentation of the long-term liabilities of the Town.

The Town has maintained Bond ratings of A1 and AA from *Moody's Investor Service, Inc.* and *Standard and Poor's Credit Market Services*, respectively.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Town's proximity to the Washington D.C. metropolitan area has positively impacted the Town and its fiscal health. Per capita income levels have risen above state and national levels as a result. However, all jurisdictions in Northern Virginia felt a slight decrease in revenues due to the sluggish economy. Revenues for next year's budget appear to be improving as the economy recovers in a number of financial sectors.

## **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Leesburg's finances for all those with interest in the government's finances. Questions concerning any of the information provided in this report should be addressed to the Town's Department of Finance, P.O. Box 88, 25 West Market Street, 20178.

## **BASIC FINANCIAL STATEMENTS**

## TOWN OF LEESBURG, VIRGINIA

Exhibit 1

STATEMENT OF NET ASSETS  
June 30, 2003

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
Cash, cash equivalents and temporary cash investments	\$ 12,356,072	\$ 43,387,975	\$ 55,744,047
Receivables, net:			
Property taxes, including penalties	4,508,015	-	4,508,015
Utility taxes	230,105	-	230,105
Local taxes	684,499	-	684,499
Trade and other accounts	32,030	1,475,525	1,507,555
Accrued interest	27,433	93,706	121,139
Due from other governments	1,449,145	511,668	1,960,813
Restricted cash	5,910,154	589,363	6,499,517
Deferred charges	-	149,728	149,728
Internal balances	697,736	(697,736)	-
Financing costs, net	75,210	-	75,210
Capital assets:			
Land	25,070,943	10,675,419	35,746,362
Buildings and improvements	46,010,833	2,236,063	48,246,896
Water system	-	47,253,723	47,253,723
Sewer system	-	71,218,102	71,218,102
Equipment	2,743,820	3,235,228	5,979,048
Vehicles	2,625,438	-	2,625,438
Hangars	-	3,184,882	3,184,882
Runway	-	12,424,868	12,424,868
Software	-	13,000	13,000
Infrastructure	85,048,117	-	85,048,117
Construction in progress	636,176	5,163,725	5,799,901
Less: accumulated depreciation	(29,220,906)	(27,237,370)	(56,458,276)
<b>Total assets</b>	<b>158,884,820</b>	<b>173,677,869</b>	<b>332,562,689</b>
<b>LIABILITIES</b>			
Accounts payable	601,912	1,515,095	2,117,007
Accrued payroll	350,682	85,753	436,435
Other accrued liabilities	68,142	-	68,142
Accrued insurance claims	331,465	113,758	445,223
Accrued interest	547,054	835,526	1,382,580
Compensated absences	77,488	27,616	105,104
Retainage payable	71,757	114,600	186,357
Customer deposits and contingent charges	5,875,707	1,028,462	6,904,169
Deferred revenue	3,902,654	-	3,902,654
Noncurrent liabilities			
Due within one year	2,685,634	1,149,680	3,835,314
Due in more than one year	38,016,003	38,428,812	76,444,815
<b>Total liabilities</b>	<b>52,528,498</b>	<b>43,299,302</b>	<b>95,827,800</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	92,944,622	88,842,212	181,786,834
Unrestricted	13,411,700	41,536,355	54,948,055
<b>Total net assets</b>	<b>\$ 106,356,322</b>	<b>\$ 130,378,567</b>	<b>\$ 236,734,889</b>

See Notes to Financial Statements.



## TOWN OF LEESBURG, VIRGINIA

Exhibit 2

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>Primary Government:</b>							
Governmental activities:							
Legislative	\$ 231,213	\$ -	\$ -	\$ -	\$ (231,213)	\$ -	\$ (231,213)
Executive	2,736,232	-	-	-	(2,736,232)	-	(2,736,232)
Legal	193,460	-	-	-	(193,460)	-	(193,460)
Planning, zoning and development	1,422,467	204,288	-	-	(1,218,179)	-	(1,218,179)
Finance	1,654,638	-	-	-	(1,654,638)	-	(1,654,638)
Public safety	6,664,907	266,971	1,142,060	216,843	(5,039,033)	-	(5,039,033)
Parks and recreation	4,968,397	2,332,896	-	-	(2,635,501)	-	(2,635,501)
Balch Library	533,222	5,865	15,500	-	(511,857)	-	(511,857)
Engineering and public works	9,481,451	192,257	5,586,049	1,268,640	(2,434,505)	-	(2,434,505)
Interest	1,859,616	-	-	-	(1,859,616)	-	(1,859,616)
<b>Total governmental activities</b>	<b>29,745,603</b>	<b>3,002,277</b>	<b>6,743,609</b>	<b>1,485,483</b>	<b>(18,514,234)</b>	<b>-</b>	<b>(18,514,234)</b>
Business-type activities:							
Airport	1,277,756	848,521	-	1,426,346	-	997,111	997,111
Water and sewer	12,084,993	7,809,012	-	12,118,022	-	7,842,041	7,842,041
<b>Total business-type activities</b>	<b>13,362,749</b>	<b>8,657,533</b>	<b>-</b>	<b>13,544,368</b>	<b>-</b>	<b>8,839,152</b>	<b>8,839,152</b>
<b>Total government</b>	<b>\$43,108,352</b>	<b>\$ 11,659,810</b>	<b>\$ 6,743,609</b>	<b>\$15,029,851</b>	<b>(18,514,234)</b>	<b>8,839,152</b>	<b>(9,675,082)</b>
General Revenues:							
Taxes:							
General property taxes, including penalties					8,658,468	-	8,658,468
Other local taxes					8,784,696	-	8,784,696
Revenues not restricted to specific programs					2,656,314	-	2,656,314
Intergovernmental, other than grants					1,382,750	-	1,382,750
Use of money and property					435,263	665,283	1,100,546
Miscellaneous					294,356	77,854	372,210
Transfers					1,813,548	(1,813,548)	-
<b>Total general revenues and transfers</b>					<b>24,025,395</b>	<b>(1,070,411)</b>	<b>22,954,984</b>
<b>Change in net assets</b>					<b>5,511,161</b>	<b>7,768,741</b>	<b>13,279,902</b>
Net assets, beginning					<b>100,845,161</b>	<b>122,609,826</b>	<b>223,454,987</b>
Net assets, ending					<b>\$ 106,356,322</b>	<b>\$ 130,378,567</b>	<b>\$ 236,734,889</b>

See Notes to Financial Statements.

## TOWN OF LEESBURG, VIRGINIA

Exhibit 3

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2003**

	General	Capital Projects		Other Governmental Funds	Total Governmental Funds
		Highways	Buildings		
<b>ASSETS</b>					
Cash, cash equivalents, and temporary cash investments	\$ 5,468,027	\$ 2,050,609	\$ 323,287	\$ 4,514,149	\$ 12,356,072
Receivables, net					
Property taxes, including penalties	4,508,015	-	-	-	4,508,015
Utility taxes	230,105	-	-	-	230,105
Local taxes	684,499	-	-	-	684,499
Accounts	32,030	-	-	-	32,030
Accrued interest	27,433	-	-	-	27,433
Advances to other funds	697,736	-	-	-	697,736
Due from other governments	1,332,622	18,023	-	98,500	1,449,145
Restricted cash	5,870,736	-	39,418	-	5,910,154
<b>Total assets</b>	<b>\$ 18,851,203</b>	<b>\$ 2,068,632</b>	<b>\$ 362,705</b>	<b>\$ 4,612,649</b>	<b>\$ 25,895,189</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 446,785	\$ 16,930	\$ 26,039	\$ 112,158	\$ 601,912
Accrued payroll	350,682	-	-	-	350,682
Other accrued liabilities	68,142	-	-	-	68,142
Accrued insurance claims	331,465	-	-	-	331,465
Retainage payable	-	21,757	50,000	-	71,757
Customer deposits and contingent charges	5,875,707	-	-	-	5,875,707
Deferred revenues	4,441,443	-	-	-	4,441,443
<b>Total liabilities</b>	<b>11,514,224</b>	<b>38,687</b>	<b>76,039</b>	<b>112,158</b>	<b>11,741,108</b>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	1,038,541	-	-	-	1,038,541
Advances to other funds	697,736	-	-	-	697,736
Law enforcement expenses	33,463	-	-	-	33,463
Unreserved:					
Undesignated:					
General fund	5,567,239	-	-	-	5,567,239
Capital projects funds	-	2,029,945	286,666	2,599,566	4,916,177
Special revenue funds	-	-	-	1,900,925	1,900,925
<b>Total fund balances</b>	<b>7,336,979</b>	<b>2,029,945</b>	<b>286,666</b>	<b>4,500,491</b>	<b>14,154,081</b>
<b>Total liabilities and fund balances</b>	<b>\$ 18,851,203</b>	<b>\$ 2,068,632</b>	<b>\$ 362,705</b>	<b>\$ 4,612,649</b>	<b>\$ 25,895,189</b>

See Notes to Financial Statements.

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2003**

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Total Fund Balances - Governmental Funds		\$ 14,154,081
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Amounts reported for governmental activities  
in the statement of net assets are different because:

Capital assets used in governmental activities  
are not current financial resources and therefore  
not reported in the governmental funds.

Governmental capital assets	\$ 162,135,327	
Less accumulated depreciation	(29,220,906)	
Net Capital Assets		132,914,421

Deferred revenue represents amounts that  
were not available to fund current expenditures  
and therefore is not reported as revenue in the  
governmental funds

538,789

Other assets used in governmental activities are not  
financial resources and therefore are not reported in  
the governmental funds

Financing costs		75,210
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Long-term liabilities, including bonds payable,  
are not due and payable in the current period and  
therefore are not reported as liabilities in the  
governmental funds.

Bonds payable	(39,570,118)	
Leases payable	(359,681)	
Note payable	(40,000)	
Compensated absences	(809,326)	
Interest payable	(547,054)	
		(41,326,179)

Net assets of governmental activities		<u>\$ 106,356,322</u>
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**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2003**

	General	Debt Service	Capital Projects		Other Governmental Funds	Total Governmental Funds
			Highways	Buildings		
<b>Revenues:</b>						
General property taxes	\$ 8,722,873	\$ -	\$ -	\$ -	\$ -	\$ 8,722,873
Other local taxes	8,682,696	-	102,000	-	-	8,784,696
Permits, fees and licenses	3,049,254	-	-	-	-	3,049,254
Fines and forfeitures	246,496	-	-	-	-	246,496
Use of money and property	323,579	-	8,484	48,651	80,889	461,603
Charges for services	2,336,501	-	-	-	-	2,336,501
Donations	-	-	-	-	225,000	225,000
Miscellaneous	294,356	-	-	-	-	294,356
Intergovernmental	4,179,063	-	1,268,640	540,841	-	5,988,544
<b>Total revenues</b>	<b>27,834,818</b>	<b>-</b>	<b>1,379,124</b>	<b>589,492</b>	<b>305,889</b>	<b>30,109,323</b>
<b>Expenditures:</b>						
Current:						
Legislative	231,213	-	-	-	-	231,213
Executive	2,441,878	-	-	-	-	2,441,878
Legal	187,628	-	-	-	-	187,628
Planning, zoning and development	1,429,837	-	-	-	-	1,429,837
Finance	1,630,812	-	-	-	-	1,630,812
Public safety	6,830,539	-	-	-	20,553	6,851,092
Parks and recreation	4,137,677	-	-	-	-	4,137,677
Balch Library	346,935	-	-	-	-	346,935
Engineering and public works	7,700,347	-	-	-	-	7,700,347
Capital projects	-	-	1,802,822	3,576,685	2,112,354	7,491,861
Debt service:						
Principal	-	4,825,475	-	-	-	4,825,475
Interest and fiscal charges	-	2,103,052	-	-	-	2,103,052
<b>Total expenditures</b>	<b>24,936,866</b>	<b>6,928,527</b>	<b>1,802,822</b>	<b>3,576,685</b>	<b>2,132,907</b>	<b>39,377,807</b>
<b>Revenues over (under) expenditures</b>	<b>2,897,952</b>	<b>(6,928,527)</b>	<b>(423,698)</b>	<b>(2,987,193)</b>	<b>(1,827,018)</b>	<b>(9,268,484)</b>
<b>Other Financing Sources (Uses):</b>						
Debt issuance	5,606,510	-	-	-	-	5,606,510
Premiums on bonds issued	248,788	-	-	-	-	248,788
Payment to escrow agent	(5,780,087)	-	-	-	-	(5,780,087)
Transfers in	6,418,497	6,928,527	348,053	-	355,000	14,050,077
Transfers out	(7,807,644)	-	(50,000)	(2,176,882)	(2,202,003)	(12,236,529)
<b>Other operating sources (uses), net</b>	<b>(1,313,936)</b>	<b>6,928,527</b>	<b>298,053</b>	<b>(2,176,882)</b>	<b>(1,847,003)</b>	<b>1,888,759</b>
<b>Net change in fund balances</b>	<b>1,584,016</b>	<b>-</b>	<b>(125,645)</b>	<b>(5,164,075)</b>	<b>(3,674,021)</b>	<b>(7,379,725)</b>
<b>Fund balances, beginning</b>	<b>5,752,963</b>	<b>-</b>	<b>2,155,590</b>	<b>5,450,741</b>	<b>8,174,512</b>	<b>21,533,806</b>
<b>Fund balances, ending</b>	<b>\$ 7,336,979</b>	<b>\$ -</b>	<b>\$ 2,029,945</b>	<b>\$ 286,666</b>	<b>\$ 4,500,491</b>	<b>\$ 14,154,081</b>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2003**

	Governmental Funds	
Net change in fund balances - total governmental funds	\$ (7,379,725)	
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Expenditure for capital assets	\$ 7,111,053	
Donated capital assets	3,939,139	
Less depreciation expense	<u>(3,042,985)</u>	
Excess of capital outlay over depreciation		8,007,207
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred revenue		(64,405)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds were less than (exceeded) repayments.		
Debt issued or incurred:		
General obligation bonds	(5,606,510)	
Bond premium	(248,788)	
Principal repayments:		
General obligation debt	4,825,475	
Payment to escrow agent for refunding	<u>5,780,087</u>	
		4,750,264
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued interest	168,226	
Compensated absences	(45,616)	
Debt issuance costs	<u>75,210</u>	
		<u>197,820</u>
Change in net assets of governmental activities	<u>\$ 5,511,161</u>	

## TOWN OF LEESBURG, VIRGINIA

Exhibit 7

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2003**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final	Amounts	
<b>Revenues:</b>				
General property taxes	\$ 10,134,000	\$ 10,134,000	\$ 8,722,873	\$ (1,411,127)
Other local taxes	9,022,000	9,022,000	8,682,696	(339,304)
Permits, fees and licenses	3,135,000	3,135,000	3,049,254	(85,746)
Fines and forfeitures	232,285	232,285	246,496	14,211
Use of money and property	299,000	299,000	323,579	24,579
Charges for services	2,096,400	2,096,400	2,336,501	240,101
Miscellaneous	151,800	151,800	294,356	142,556
Intergovernmental	2,587,874	2,587,874	4,179,063	1,591,189
<b>Total revenues</b>	<b>27,658,359</b>	<b>27,658,359</b>	<b>27,834,818</b>	<b>176,459</b>
<b>Expenditures:</b>				
Current:				
Legislative	264,605	264,605	231,213	(33,392)
Executive	3,069,429	3,135,429	2,696,537	(438,892)
Legal	239,900	239,900	187,628	(52,272)
Planning, zoning and development	1,776,158	1,776,158	1,473,677	(302,481)
Finance	1,671,826	1,671,826	1,637,512	(34,314)
Public safety	6,871,452	7,204,452	6,956,599	(247,853)
Parks and recreation	4,219,540	4,425,490	4,187,111	(238,379)
Balch library	364,941	365,941	348,453	(17,488)
Engineering and public works	9,092,002	9,162,663	8,256,677	(905,986)
<b>Total expenditures</b>	<b>27,569,853</b>	<b>28,246,464</b>	<b>25,975,407</b>	<b>(2,271,057)</b>
<b>Revenues over expenditures</b>	<b>88,506</b>	<b>(588,105)</b>	<b>1,859,411</b>	<b>2,447,516</b>
<b>Other Financing Sources (Uses):</b>				
Debt issuance	400,000	400,000	5,606,510	5,206,510
Premiums on bonds issued	-	-	248,788	248,788
Payment to escrow agent	-	-	(5,780,087)	(5,780,087)
Transfers in	2,282,000	2,282,000	6,418,497	4,136,497
Transfers out	(5,744,373)	(5,744,373)	(7,807,644)	(2,063,271)
<b>Other financing uses, net</b>	<b>(3,062,373)</b>	<b>(3,062,373)</b>	<b>(1,313,936)</b>	<b>1,748,437</b>
<b>Net change in fund balance</b>	<b>(2,973,867)</b>	<b>(3,650,478)</b>	<b>545,475</b>	<b>4,195,953</b>
<b>Fund balance, beginning</b>	<b>2,973,867</b>	<b>3,650,478</b>	<b>5,752,963</b>	<b>2,102,485</b>
<b>Fund balance, ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,298,438</b>	<b>\$ 6,298,438</b>

See Notes to Financial Statements.

## TOWN OF LEESBURG, VIRGINIA

Exhibit 8

**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2003**

	Business-type Activities - Enterprise Funds		
	Airport	Water and Sewer	Totals
<b>ASSETS</b>			
Current Assets:			
Cash, cash equivalents, and temporary cash investments	\$ 852,166	\$ 42,535,809	\$ 43,387,975
Accounts receivables, net	67,024	1,408,501	1,475,525
Accrued interest	-	93,706	93,706
Due from other governments	511,668	-	511,668
<b>Total current assets</b>	<b>1,430,858</b>	<b>44,038,016</b>	<b>45,468,874</b>
Noncurrent Assets:			
Restricted cash	-	589,363	589,363
Deferred charges	-	149,728	149,728
Capital assets:			
Land	9,089,063	1,586,356	10,675,419
Buildings and improvements	2,236,063	-	2,236,063
Water system	-	47,253,723	47,253,723
Sewer system	-	71,218,102	71,218,102
Equipment	1,245,130	1,990,098	3,235,228
Hangars	3,184,882	-	3,184,882
Runway	12,424,868	-	12,424,868
Software	-	13,000	13,000
Construction in progress	2,007,477	3,156,248	5,163,725
Less: accumulated depreciation	(4,084,617)	(23,152,753)	(27,237,370)
<b>Total capital assets (net of accumulated depreciation)</b>	<b>26,102,866</b>	<b>102,064,774</b>	<b>128,167,640</b>
<b>Total noncurrent assets</b>	<b>26,102,866</b>	<b>102,803,865</b>	<b>128,906,731</b>
<b>Total assets</b>	<b>27,533,724</b>	<b>146,841,881</b>	<b>174,375,605</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	361,973	1,153,122	1,515,095
Accrued payroll	2,976	82,777	85,753
Accrued insurance claims	-	113,758	113,758
Accrued interest	99,870	735,656	835,526
Compensated absences	172	27,444	27,616
Retainage payable	110,014	4,586	114,600
Advances from other funds	697,736	-	697,736
Bonds payable	199,780	949,900	1,149,680
Customer deposits and contingent charges	19,175	1,009,287	1,028,462
<b>Total current liabilities</b>	<b>1,491,696</b>	<b>4,076,530</b>	<b>5,568,226</b>
Noncurrent Liabilities:			
Compensated absences	7,883	245,181	253,064
Bonds payable	4,783,506	33,392,242	38,175,748
<b>Total noncurrent liabilities</b>	<b>4,791,389</b>	<b>33,637,423</b>	<b>38,428,812</b>
<b>Total liabilities</b>	<b>6,283,085</b>	<b>37,713,953</b>	<b>43,997,038</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	21,119,580	67,722,632	88,842,212
Unrestricted	131,059	41,405,296	41,536,355
<b>Total net assets</b>	<b>\$ 21,250,639</b>	<b>\$ 109,127,928</b>	<b>\$ 130,378,567</b>

See Notes to Financial Statements.

## TOWN OF LEESBURG, VIRGINIA

Exhibit 9

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2003

	Business-type Activities - Enterprise Funds		
	Airport	Water and Sewer	Totals
Operating Revenues:			
Charges for services	\$ 848,521	\$ 7,809,012	\$ 8,657,533
Other	-	77,854	77,854
<b>Total operating revenues</b>	<b>848,521</b>	<b>7,886,866</b>	<b>8,735,387</b>
Operating Expenses:			
Personal service	279,928	4,459,019	4,738,947
Contractual services	80,736	370,052	450,788
Depreciation	500,643	2,664,120	3,164,763
Other charges	82,286	2,846,772	2,929,058
<b>Total operating expenses</b>	<b>943,593</b>	<b>10,339,963</b>	<b>11,283,556</b>
<b>Operating loss</b>	<b>(95,072)</b>	<b>(2,453,097)</b>	<b>(2,548,169)</b>
Nonoperating Revenue (Expenses):			
Interest on investments	19,790	645,493	665,283
Interest and fiscal charges on bonds/notes	(262,527)	(1,745,030)	(2,007,557)
Loss on disposal of assets	(71,636)	-	(71,636)
<b>Total nonoperating expenses, net</b>	<b>(314,373)</b>	<b>(1,099,537)</b>	<b>(1,413,910)</b>
<b>Loss before grants, contributions and transfers</b>	<b>(409,445)</b>	<b>(3,552,634)</b>	<b>(3,962,079)</b>
Capital grant revenue	1,426,346	66,439	1,492,785
Installation and connection charges	-	11,005,753	11,005,753
Developer donated assets	-	1,045,830	1,045,830
Transfers in	299,117	-	299,117
Transfers out	(309,665)	(1,803,000)	(2,112,665)
<b>Change in net assets</b>	<b>1,006,353</b>	<b>6,762,388</b>	<b>7,768,741</b>
<b>Total net assets, beginning</b>	<b>20,244,286</b>	<b>102,365,540</b>	<b>122,609,826</b>
<b>Total net assets, ending</b>	<b>\$ 21,250,639</b>	<b>\$ 109,127,928</b>	<b>\$ 130,378,567</b>

See Notes to Financial Statements.



STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2003

	Business-type Activities - Enterprise Funds		
	Airport	Water and Sewer	Totals
<b>Cash Flows From Operating Activities:</b>			
Receipts from customers	\$ 844,971	\$ 8,011,988	\$ 8,856,959
Payments to suppliers for goods and services	(179,062)	(2,742,564)	(2,921,626)
Payments to employees for services	(279,130)	(4,453,616)	(4,732,746)
Other receipts (payments)	-	77,854	77,854
<b>Net cash provided by operating activities</b>	<b>386,779</b>	<b>893,662</b>	<b>1,280,441</b>
<b>Cash Flows From Noncapital and Related Financing Activities:</b>			
Transfers out	(309,665)	(1,803,000)	(2,112,665)
Transfers in	299,117	-	299,117
<b>Net cash used in noncapital and related financing activities</b>	<b>(10,548)</b>	<b>(1,803,000)</b>	<b>(1,813,548)</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Connection availability fees	-	11,005,753	11,005,753
Grant revenue	1,670,025	66,439	1,736,464
Acquisition and construction of capital assets	(2,944,495)	(4,986,041)	(7,930,536)
Interest	(217,076)	(1,674,731)	(1,891,807)
Proceeds from debt issuance	2,131,895	2,335,494	4,467,389
Payments to escrow agent and issuance costs	(85,855)	(2,335,494)	(2,421,349)
Principal paid on bonds	(171,777)	(1,467,401)	(1,639,178)
<b>Net cash provided by capital and related financing activities</b>	<b>382,717</b>	<b>2,944,019</b>	<b>3,326,736</b>
<b>Cash Flows From Investing Activities:</b>			
Interest on investments	19,790	930,233	950,023
<b>Net cash provided by investing activities</b>	<b>19,790</b>	<b>930,233</b>	<b>950,023</b>
<b>Net increase in cash and cash equivalents</b>	<b>778,738</b>	<b>2,964,914</b>	<b>3,743,652</b>
<b>Cash and Cash Equivalents</b>			
Beginning	73,428	40,160,258	40,233,686
Ending	\$ 852,166	\$ 43,125,172	\$ 43,977,338

## TOWN OF LEESBURG, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### C. Basis of Presentation - Fund Accounting

The accounts of the Town are organized on the basis of funds which are considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance/net assets, revenues and expenditures or expenses, as appropriate. The various funds of the primary government are included in the financial statements as follows:

1. Governmental Funds are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance." The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following comprise the Town's major governmental funds:

**General Fund** – The General Fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Many of the more important activities of the Town, including operation of the Town's general service departments, street and highway maintenance, public safety, parks and recreation, and library are accounted for in this fund.

**Debt Service Fund** – The Debt Service Fund accounts for the servicing of general long-term debt not being financed by proprietary funds.

**Buildings Capital Projects Fund** – The Buildings Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other fixed assets, with the exception of those that have been segregated into separate capital project funds by management or are financed through proprietary funds. The Town has elected to treat the Buildings Capital Projects Fund as major, although it has not met the criteria requiring such treatment for fiscal year 2003.

**Highways Capital Projects Fund** – The Highways Capital Projects Fund is used to account for all resources used in the acquisition and construction of the Town's streets and other infrastructure. The Town has elected to treat the Highways Capital Projects Fund as major, although it has not met the criteria requiring such treatment for fiscal year 2003.

## TOWN OF LEESBURG, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### 1. Summary of Significant Accounting Policies (Continued)

##### C. Basis of Presentation - Fund Accounting

Other governmental funds of the Town are considered nonmajor and are as follows:

**Other Capital Projects Funds** - The Other Capital Projects Funds are used to account for all resources used in the acquisition and construction of capital facilities and other fixed assets that management has chosen to report separately from the building and highway capital projects of the Town. The nonmajor capital project funds consist of the Parks and Recreation Fund and the Storm Drains Fund.

**Special Revenue Funds** – Special Revenue Funds are used to report resources that are legally restricted and may be used for purposes that support the designated reporting government's program. The Town's Special Revenue Funds consist of the Balch Library and Irwin W. Uran Funds.

2. Proprietary Fund Types are used to account for activities which are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses and transfers related to the government's business activities are accounted for through proprietary funds. The measurement focus is upon income determination, financial position, and cash flows. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Town has elected to apply all applicable FASB pronouncements, including those issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

**Enterprise Funds** - Enterprise Funds are used to finance and account for the acquisition, operation and maintenance of the Town's facilities and services, which are supported primarily by user charges. The following comprise the Town's major enterprise funds:

Airport Fund – This fund is used to account for the operation and maintenance of the Town's airport. The Airport Fund also receives funding through State and Federal grants and general fund transfers.

Water and Sewer Fund – This fund is used to account for the operation and maintenance of the Town's water system and sanitary sewer system.

## TOWN OF LEESBURG, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### D. Measurement Focus and Basis of Accounting

The Town adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, during the fiscal year ended June 30, 2003. The adoption of this Statement is meant to present the information in a format more closely resembling that of the private sector and to provide the user with more managerial analysis regarding the financial results and the Town's financial outlook.

The government-wide financial statements are reported using the economic resources measurement focus and the *accrual* basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the *modified* accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 75 days of the end of the current fiscal period except for property taxes which are recognized as revenue if they have been collected within 45 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure, and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Licenses and permits, fines and forfeitures, charges for sales and services (other than utility) and miscellaneous revenues are *generally* recorded as revenue when received because they are generally not measurable until actually received. In the category of use of money and property, property rentals are recorded as revenue when received, but investment earnings are recorded as earned, since they are measurable and available.

## TOWN OF LEESBURG, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### D. Measurement Focus and Basis of Accounting (Continued)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

##### E. Budgetary Data

###### Budgetary Information

Budgets are adopted and maintained on the modified accrual basis adjusted for encumbrances. Annual appropriated budgets are adopted for the General Fund. All annual appropriations lapse at fiscal year-end to the extent they have not been expended or lawfully encumbered. Project-length financial plans are adopted for all Capital Projects Funds. Budgets are not adopted for the Debt Service Funds since budgetary control is maintained through the General Fund. Budgets for enterprise funds serve as a spending guide for the Town and do not constitute legally binding limitations.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Each year all departments of the government submit requests for appropriation to the Town Manager so that a budget may be prepared. The budget is prepared by fund, department, activity, and expenditure and includes information on the past, current year estimates, and requested appropriations for the next fiscal year.

## TOWN OF LEESBURG, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### E. Budgetary Data (Continued)

###### Budgetary Information (Continued)

Before April 1, the proposed budget is presented to the Town's Council for review. The Town Council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the Town's Manager or the revenue estimates must be changed by an affirmative vote of a majority of the Town Council.

Expenditures may not legally exceed budgeted appropriations at the department level. The Town Manager has authority to amend or transfer appropriations within the department level. During the year ended June 30, 2003, General Fund supplemental appropriations totalling \$676,611 were authorized by Town Council.

###### Budgeted (Non-GAAP)/GAAP Reconciliation

The following is a reconciliation of actual General Fund expenditures and fund balance presented on the budgetary basis in Exhibit 7 to the actual General Fund expenditures and fund balance presented in Exhibit 5 in accordance with accounting principles generally accepted in the United States of America:

	Total Expenditures and Transfers	Fund Balance
Budgetary basis as per Exhibit 7	\$ 25,975,407	\$ 6,298,438
Encumbrances at June 30, 2003	(1,038,541)	1,038,541
GAAP basis per Exhibit 5	\$ 24,936,866	\$ 7,336,979

##### F. Other Significant Accounting Policies

###### 1. Cash and Cash Equivalents

The Town considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Cash of individual funds are combined to form a pool of cash and investments. The pool consists primarily of government obligations and a local government investment pool. The government securities are stated at fair value based on quoted market prices and the investment in the local government investment pool (a 2a7-like pool) is reported at the pool's share price. Interest earned as a result of pooling is distributed to the appropriate funds utilizing a formula based on month-end balances.

## TOWN OF LEESBURG, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### F. Other Significant Accounting Policies (Continued)

###### 2. Investments

Investments are stated at fair value based on quoted market prices.

###### 3. Property Taxes

Real estate and personal property taxes are assessed annually by Loudoun County, Virginia, for all property of record as of January 1. The Town bills and collects its property taxes based on the assessed values provided by the County. Real estate taxes are levied annually on January 1 and are due in semi-annual installments on June 5 and December 5. Personal property taxes are levied annually on January 1 and are due October 5 with pro-ration of personal property taxes throughout the year. Prorated personal property taxes levied after June 15 are due February 5.

Collections of real estate and personal property taxes between July 1 and August 15 of the subsequent fiscal year, classified as delinquent at June 30, are recorded as revenue for the fiscal year then ended. Liens attach to the property when the tax remains unpaid after July 1 of the following year. The billings are considered past due after the respective tax billing date at which time the applicable property is subject to a 10% penalty and interest is assessed 30 days therefrom.

###### 4. Restricted Assets

Trustee Held Escrow Deposits – Certain proceeds of the Town's 1997 Utility System Revenue Refunding Bonds as well as certain resources set aside for their repayment, are combined and classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and are to be held by a trustee. The Utility System Bond Fund Interest Account and Principal Account are used to report resources set aside for future debt service. The Utility System Debt Service Reserve Fund is used to the extent necessary to set aside reserve funds for interest and principal debt service payments.

Customer Deposits – The Town collects a utility deposit when a new customer establishes a water/sewer account. Under certain circumstances, the deposit is refunded. Cash is restricted to set aside resources for future refunding along with a related customer deposit liability.

Off-site Fees, Performance Bonds, Lease Escrow and Cash funds are restricted to set aside resources designated for fulfilling the obligation related to these deposit liabilities. As funds are utilized for these purposes, the restricted cash asset and deposit liability is reduced.

## TOWN OF LEESBURG, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### F. Other Significant Accounting Policies (Continued)

##### 5. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (\$50,000 or more for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the government is depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	15 – 50
Infrastructure	50
Water and sewer system	10 – 100
Hangars and runways	10 – 50
Vehicles	5 – 12
Equipment	5 – 25
Software	5 – 20

The Town's Balch Library contains reference material and library books that are not capitalized. These items are irreplaceable and only available for educational and research purposes to be completed at the library.



## TOWN OF LEESBURG, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### F. Other Significant Accounting Policies (Continued)

###### 6. Deferred Revenue

Deferred revenue in the governmental funds represents amounts due, which are measurable but not available.

###### 7. Inter-fund Transactions

Transactions among Town funds that would be treated as revenues and expenditures or expenses if they involved organizations external to the Town government are accounted for as revenues and expenditures or expenses in the funds involved.

Transactions, which constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements.

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds" or "advances to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Noncurrent portions of long-term inter-fund loan receivables are reported as advances within the governmental funds, and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resource and, therefore, are not available for appropriation.

###### 8. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. All vacation pay is accrued when incurred in government-wide and proprietary financial statements. For governmental fund types, the amount of accumulated unpaid vacation leave which is payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations.

## TOWN OF LEESBURG, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### F. Other Significant Accounting Policies (Continued)

###### 9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

###### 10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

###### 11. Net Assets

Net assets represent the difference between assets and liabilities. The caption "net assets invested in capital assets, net of related debt" consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Town first applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

## TOWN OF LEESBURG, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### F. Other Significant Accounting Policies (Continued)

##### 12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### Note 2. Deposits and Investments

Deposits. All cash of the Town of Leesburg is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance.

Investments. Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

The Director of Finance has investments in the LGIP. The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Sec. 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share.

# TOWN OF LEESBURG, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Deposits and Investments (Continued)

The Town's investments are categorized below to give an indication of the level of risk assumed by the Town at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Town or its safekeeping agent in the Town's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker or dealer bank's trust department or safekeeping agent in the Town's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or safekeeping agent but not in the Town's name.

At year-end, the Town's investments balances were as follows:

	Category			Fair Value
	1	2	3	
U. S. government securities	\$ -	\$ 28,116,724	\$ -	\$ 28,116,724
Commercial paper	-	13,500,405	-	13,500,405
	<u>\$ -</u>	<u>\$ 41,617,129</u>	<u>\$ -</u>	<u>41,617,129</u>
Investments not subject to risk categorization:				
State non-arbitrage program				3,180,929
Local Government Investment Pool				7,659,351
U. S. money market funds				<u>1,142,779</u>
<b>Total investments</b>				<u>53,600,188</u>
<b>Total deposits</b>				8,641,176
<b>Total cash on hand and petty cash</b>				<u>2,200</u>
<b>Total cash, cash equivalents, and temporary cash investments</b>				<u>\$ 62,243,564</u>
Reconciliation to cash, cash equivalents, and temporary cash investments of the reporting entity as reported on the statement of net assets:				
Cash, cash equivalents, and temporary cash investments				\$ 55,744,047
Restricted cash				<u>6,499,517</u>
<b>Total</b>				<u>\$ 62,243,564</u>

### Note 3. Estimated Unbilled Revenue

Water and sewer fund revenues are estimated at year-end for unbilled services rendered. The amounts are determined by estimating services rendered based on past services provided. At June 30, 2003, estimated unbilled services included in accounts receivable and revenue amounted to approximately \$743,000.

**TOWN OF LEESBURG, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**Note 4. Receivables**

Receivables at June 30, 2003 for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

Primary Government

	General Fund	Airport Fund	Water and Sewer Fund	Totals
Property taxes	\$ 4,558,015	\$ -	\$ -	\$ 4,558,015
Utility taxes	230,105	-	-	230,105
Local taxes	684,499	-	-	684,499
Accounts	32,030	70,024	1,468,501	1,570,555
Gross receivables	5,504,649	70,024	1,468,501	7,043,174
Less allowance for uncollectible accounts	(50,000)	(3,000)	(60,000)	(113,000)
Net receivables	\$ 5,454,649	\$ 67,024	\$ 1,408,501	\$ 6,930,174

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the General Fund were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 538,789	\$ -
Advance collection of 2003-2004 taxes	-	73,124
2003-2004 property taxes receivable	-	3,829,530
	\$ 538,789	\$ 3,902,654

## TOWN OF LEESBURG, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 5. Due From Other Governments

At June 30, 2003, amounts due from other governments were as follows:

General Fund:

Commonwealth of Virginia:

Local sales taxes	\$ 754,015
Other taxes and excess fees	29,365
ABC profits	10,912
Highway maintenance funds	409,329
	<u>1,203,621</u>

Federal Government	<u>15,562</u>
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Northern Virginia Cigarette Tax Board	<u>98,082</u>
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Other governments	<u>15,357</u>
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Total General Fund	<u>1,332,622</u>
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Capital Projects Fund:

Parks and Recreation Fund:

Virginia Department of Transportation	<u>98,500</u>
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Highways Capital Project Fund:

Virginia Department of Transportation	<u>18,023</u>
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Enterprise Fund:

Airport Fund:

Commonwealth of Virginia	202,033
Federal government	309,635
Total Airport Fund	<u>511,668</u>

Total	<u>\$ 1,960,813</u>
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# TOWN OF LEESBURG, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2003 is as follows:

	Restated Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 24,561,126	\$ 509,817	\$ -	\$ 25,070,943
Construction in progress	10,720,708	6,001,649	(16,086,181)	636,176
<b>Total capital assets, not being depreciated</b>	<b>35,281,834</b>	<b>6,511,466</b>	<b>(16,086,181)</b>	<b>25,707,119</b>
Capital assets, being depreciated:				
Buildings and improvements	35,554,713	-	10,456,120	46,010,833
Equipment	2,174,917	658,657	(89,754)	2,743,820
Vehicles	2,196,260	450,748	(21,570)	2,625,438
Infrastructure	76,025,416	3,429,321	5,593,380	85,048,117
<b>Total capital assets being depreciated</b>	<b>115,951,306</b>	<b>4,538,726</b>	<b>15,938,176</b>	<b>136,428,208</b>
Less accumulated depreciation for:				
Buildings and improvements	(7,294,140)	(943,477)	36,681	(8,200,936)
Vehicles	(1,186,855)	(221,709)	21,570	(1,386,994)
Equipment	(1,096,017)	(267,064)	89,754	(1,273,327)
Infrastructure	(16,748,914)	(1,610,735)	-	(18,359,649)
<b>Total accumulated depreciation</b>	<b>(26,325,926)</b>	<b>(3,042,985)</b>	<b>148,005</b>	<b>(29,220,906)</b>
<b>Total capital assets being depreciated, net</b>	<b>89,625,380</b>	<b>1,495,741</b>	<b>16,086,181</b>	<b>107,207,302</b>
Governmental activities capital assets, net	\$ 124,907,214	\$ 8,007,207	\$ -	\$ 132,914,421

The beginning balances were restated by \$73,025,739 to capitalize additional assets identified by the Town's infrastructure valuation study and record accumulated depreciation in accordance with the adoption of GASB Statement No. 34.

# TOWN OF LEESBURG, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Capital Assets (Continued)

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 8,968,238	\$ 1,707,181	\$ -	\$ 10,675,419
Construction in progress	3,783,343	5,293,558	(3,913,176)	5,163,725
<b>Total capital assets, not being depreciated</b>	<b>12,751,581</b>	<b>7,000,739</b>	<b>(3,913,176)</b>	<b>15,839,144</b>
Capital assets, being depreciated:				
Water system	45,508,265	598,593	1,146,865	47,253,723
Sewer system	70,617,935	600,167	-	71,218,102
Equipment	3,089,545	326,767	(181,084)	3,235,228
Hangars	3,184,882	-	-	3,184,882
Runway	9,658,557	-	2,766,311	12,424,868
Buildings and improvements	2,236,063	-	-	2,236,063
Software	13,000	-	-	13,000
<b>Total capital assets being depreciated</b>	<b>134,308,247</b>	<b>1,525,527</b>	<b>3,732,092</b>	<b>139,565,866</b>
Less accumulated depreciation for:				
Water system	(9,201,190)	(980,049)	-	(10,181,239)
Sewer system	(10,260,417)	(1,445,397)	-	(11,705,814)
Equipment	(1,465,461)	(318,581)	109,448	(1,674,594)
Hangars	(256,576)	(127,071)	-	(383,647)
Runway	(2,228,958)	(234,278)	-	(2,463,236)
Buildings and improvements	(757,653)	(58,987)	-	(816,640)
Software	(11,800)	(400)	-	(12,200)
<b>Total accumulated depreciation</b>	<b>(24,182,055)</b>	<b>(3,164,763)</b>	<b>109,448</b>	<b>(27,237,370)</b>
<b>Total capital assets being depreciated, net</b>	<b>110,126,192</b>	<b>(1,639,236)</b>	<b>3,841,540</b>	<b>112,328,496</b>
Business-type activities capital assets, net	\$ 122,877,773	\$ 5,361,503	\$ (71,636)	\$ 128,167,640

Depreciation expense was charged to functions/programs of the primary government as follows:

#### Governmental activities:

Executive	\$ 307,925
Finance	19,107
Public safety	286,093
Parks and recreation	383,919
Balch Library	185,169
Engineering and public works	1,860,772
<b>Total depreciation expense - governmental activities</b>	<b>\$ 3,042,985</b>

#### Business-type activities:

Airport	\$ 500,643
Water and sewer	2,664,120
<b>Total depreciation expense - business-type activities</b>	<b>\$ 3,164,763</b>



# TOWN OF LEESBURG, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Interfund Assets/Liabilities

Advance from/to other funds:

Receivable Fund	Payable Fund	Amount
General	Airport	\$ 697,736

The Airport Fund has not had sufficient cash flow from operations to meet all of its operating expenses and debt service costs. As a result, the General Fund has made operating cash advances to the Airport Fund to provide working capital and cover the annual cash deficits. No formal terms have been established for the repayment of the balance.

### Note 8. Long-Term Debt

#### General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and for refunding of general obligation bonds. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. During fiscal year 2003, \$2,044,665 of principal payments on the 2000 series general obligation bonds were included in the Debt Fund principal payments in order to move the obligation to the Airport Fund. General obligation bonds are direct obligations and pledge the full faith and credit of the Town.

Outstanding long-term debt at June 30, 2003, includes the following bond issues:

#### General Obligation Bonds:

\$7,930,000, 2003 General Obligation Refunding Bonds, due in annual installments of \$90,000 to \$1,635,000 beginning August 2003 through August 2010; interest at 4.50%	\$ 7,930,000
\$4,200,000, 2001 General Obligation Bonds due in annual installments of \$154,578 through January 2022; including interest at 4.02%	4,079,803
\$14,545,000, 2000 General Obligation Public Improvement Bonds due in annual installments of \$195,000 to \$1,810,000 through January 2021; interest at 4.75% to 6%	14,385,000
\$9,480,000, 1999 General Obligation Public Improvement Bonds due in annual installments of \$375,000 to \$700,000 through June 2019; interest at 3.85% to 4.80%	8,250,000

## TOWN OF LEESBURG, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 8. Long-Term Debt (Continued)

##### General Obligation Bonds: (Continued)

\$8,035,000, 1998 General Obligation Refunding Bonds due in annual installments of \$305,000 to \$965,000 through July 2016; interest at 4.00% to 4.50%

\$ 7,165,001

\$670,000, 1998 General Obligation Bond due in monthly installments of \$6,928 through February 2008, including interest at 4.45%

349,734

\$12,300,000, 1996 General Obligation Public Improvement Bonds, \$5,065,000 refunded December 1998, remaining balance due in annual installments of \$530,000 to \$705,000 through June 2010; interest at 4.90% to 5.40%

4,290,001

\$18,065,000, 1993 General Obligation Refunding Bonds, \$1,020,000 refunded December 1998 and \$7,805,000 refunded May 2003, remaining balance due in August 2003; interest at 5.20%

1,405,000

##### Revenue Bonds:

The Town also issues bonds where the Town pledges income derived from the acquired or constructed assets to pay debt service.

\$11,000,000, VRA 1999 Utility System Revenue Bonds; due in semi-annual principal and interest installments of \$391,534; interest at 3.50%

10,182,721

\$23,265,000, 1997 Utility System Revenue Refunding Bonds due in annual installments beginning July 2004 of \$70,000 to \$1,900,000 through July 2022; interest at 4.50% to 5.125%	23,265,000
	<u>81,302,260</u>
Less unamortized premium, discount and deferred loss, net	2,406,714
Total bonded debt	<u>\$ 78,895,546</u>

The Revenue Bonds constitute special obligations of the Town solely secured by a lien on and pledge of the net revenues of the water and sewer system. The revenue of the water and sewer system and the various special funds established by the bond covenants collateralizes the bonds. The covenants provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be retained in a surplus account. The covenants also contain certain provisions, which require the Town to maintain revenues, as defined in the covenants of at least 1.25 times the annual debt service requirements. For fiscal year 2003, all revenue bond covenants were met.

# TOWN OF LEESBURG, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Long-Term Debt (Continued)

The allocation of debt to business-type and governmental activities net of premium, discount, and deferred loss is as follows:

Description	Business-Type Activities	Governmental Activities	Totals
Bond long-term debt:			
1993 General obligation refunding	\$ 411,665	\$ 993,335	\$ 1,405,000
1996 General obligation	313,902	3,976,099	4,290,001
1997 Utility revenue refunding	20,876,700	-	20,876,700
1998 General obligation	349,734	-	349,734
1998 General obligation refunding	1,290,601	5,874,400	7,165,001
1999 Public improvement	-	8,250,000	8,250,000
1999 VRA utility revenue	10,182,721	-	10,182,721
2000 Public improvement	3,581,865	10,803,135	14,385,000
2001 General obligation bond	-	4,079,803	4,079,803
2003 General obligation refunding	2,318,240	5,593,346	7,911,586
Total bonds payable	39,325,428	39,570,118	78,895,546
Other long-term debt:			
Note payable	-	40,000	40,000
Capital leases	-	359,681	359,681
Accrued vacation	280,680	809,326	1,090,006
Totals	\$ 39,606,108	\$ 40,779,125	\$ 80,385,233

The following is a summary of long-term liability activity of the primary government for the year ended June 30, 2003:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable	\$ 43,962,288	\$ 5,593,346	\$ 9,985,516	\$ 39,570,118	\$ 2,465,801
Note payable	80,000	-	40,000	40,000	40,000
Capital lease	677,775	-	318,094	359,681	179,833
Accrued vacation	763,709	752,767	707,150	809,326	77,488
Governmental activities					
long-term activities	\$ 45,483,772	\$ 6,346,113	\$ 11,050,760	\$ 40,779,125	\$ 2,763,122

Net additions to bonds payable consisted of \$5,606,510 of proceeds, \$248,788 of premium, and \$261,952 of deferred loss.

The retirement of general obligation bonds includes \$5,518,135 defeased by the 2003 General Obligation Refunding and \$2,044,665 of the 2000 Public Improvement Bonds being transferred to the Utility Fund.

# TOWN OF LEESBURG, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Long-Term Debt (Continued)

Annual requirements to amortize long-term debt and related interest payments are as follows:

Year Ending June 30,	Bonded Obligations		Capital Leases		Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 2,465,801	\$ 1,755,505	\$ 179,833	\$ 10,322	\$ 40,000	\$ 1,125
2005	2,534,582	1,703,735	179,848	5,162	-	-
2006	2,552,672	1,591,897	-	-	-	-
2007	2,547,942	1,473,829	-	-	-	-
2008	2,484,509	1,364,232	-	-	-	-
2009-2013	11,368,735	5,167,435	-	-	-	-
2014-2018	10,237,431	2,670,029	-	-	-	-
2019-2022	5,391,612	527,381	-	-	-	-
Less unamortized amounts	(13,166)	-	-	-	-	-
Totals	\$ 39,570,118	\$ 16,254,043	\$ 359,681	\$ 15,484	\$ 40,000	\$ 1,125

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type Activities:					
Bonds payable	\$ 38,766,000	\$ 4,362,905	\$ 3,803,477	\$ 39,325,428	\$ 1,149,680
Compensated absences	246,295	253,922	219,537	280,680	27,616
Business-type activities long-term liabilities	\$ 39,012,295	\$ 4,616,827	\$ 4,023,014	\$ 39,606,108	\$ 1,177,296

Annual requirements to amortize long-term debt are as follows:

Year Ending June 30,	Bonded Obligations	
	Principal	Interest
2004	\$ 1,149,680	\$ 1,879,901
2005	1,940,656	1,856,153
2006	2,022,766	1,771,886
2007	2,063,652	1,682,729
2008	2,041,369	1,594,992
2009-2013	10,423,185	6,633,397
2014-2018	11,978,461	4,107,838
2019-2022	10,099,207	1,154,821
Less unamortized amounts	(2,393,548)	-
	\$ 39,325,428	\$ 20,681,717

The legal debt margin mandated by the Commonwealth of Virginia is \$310,067,393, which is computed, based upon 10% of the assessed value on real estate subject to taxation less applicable bonded debt.

**Capital Lease Payable.** The Town is obligated under a lease accounted for as a capital lease. Assets purchased through capital lease programs are subject to security agreements. The carrying value of assets under the outstanding capital lease totalled approximately \$431,600. The interest rate on the lease approximates 2.87%.

# TOWN OF LEESBURG, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Long-Term Debt (Continued)

*Note Payable.* The Town is obligated under a note payable dated March 1999 to the Virginia Outdoor Recreation and Revolving Loan Program. The terms of the note are \$200,000 at 3.75% with annual principal payments of \$40,000 through March 2004.

In prior years, the Town defeased certain general obligation debt by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At June 30, 2003, approximately \$13,890,000 of bonds that were previously accounted for by the Town are considered defeased.

### Note 9. Interfund Transfers

	Transfer to Fund		
	General Fund	Debt Service	Highways Capital Projects
Transfer from fund:			
Governmental activities:			
General Fund	\$ -	\$ 6,928,527	\$ 225,000
Highways Capital Projects	50,000	-	-
Building Capital Projects	2,053,829	-	123,053
Storm Drains Capital Projects	168,053	-	-
Parks and Recreation Capital Projects	1,719,950	-	-
Irwin W. Uran	314,000	-	-
Business-type activities:			
Airport	309,665	-	-
Water and Sewer	1,803,000	-	-
<b>Total transferred in</b>	<b>\$ 6,418,497</b>	<b>\$ 6,928,527</b>	<b>\$ 348,053</b>
	Storm Drains Capital Project	Airport	Total Transferred Out
Transfer from fund:			
Governmental activities:			
General Fund	\$ 355,000	\$ 299,117	\$ 7,807,644
Highways Capital Projects	-	-	50,000
Building Capital Projects	-	-	2,176,882
Storm Drains Capital Projects	-	-	168,053
Parks and Recreation Capital Projects	-	-	1,719,950
Irwin W. Uran	-	-	314,000
Business-type activities:			
Airport	-	-	309,665
Water and Sewer	-	-	1,803,000
<b>Total transferred in</b>	<b>\$ 355,000</b>	<b>\$ 299,117</b>	<b>\$ 14,349,194</b>

## TOWN OF LEESBURG, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 9. Interfund Transfers (Continued)**

The transfer from the General Fund to the Debt Service Fund is to cover the Town's principal and interest requirements.

The transfer from the General Fund to the Highways Capital Projects Fund is for a supplemental appropriation for the Catoctin Circle Project.

The transfers from the Capital Projects Funds to the General Fund are to revert the unspent funds on completed projects back to the General Fund.

The transfer from the Building Capital Projects Fund to the Highways Capital Projects Fund is to reallocate available funds between projects.

The transfer from the Irwin W. Uran Fund to the General Fund is to reimburse the General Fund for qualifying expenditures.

The transfer from the Airport Fund to the General Fund is for general administrative service performed by the general government and to reimburse bond principal and interest serviced by the General Fund.

The transfer from the Water and Sewer Fund to the General Fund is to reimburse the General Fund for a one-time liability paid by the General Fund.

The transfer from the General Fund to the Storm Drains Capital Projects Fund is for the Town's funding of various capital projects.

The transfer from the General Fund to the Airport Fund is an operating and capital subsidy for the Airport's debt service and capital projects.

#### **Note 10. Commitments and Contingent Liabilities**

At June 30, 2003, major outstanding commitments for construction projects are as follows:

Project	
Terminal and Parking Expansion	\$ 2,775,000
East Market Street Widening	1,903,000
South King Street Widening	441,000
Sycolin Road Widening	415,000
WPLF Expansion	956,000
Catoctin Circle Trail	342,000
Loudoun Street Office Buildings	341,000
Water Meter Replacement Program	541,000

## **TOWN OF LEESBURG, VIRGINIA**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 11. Irwin W. Uran Permanent Fund**

Irwin W. Uran has donated funds to the Town for designated uses which are accounted for in a special revenue fund. The Town continues to expend funds in full compliance with the donor-designated uses.

#### **Note 12. Thomas Balch Library**

The County of Loudoun, Virginia, made a deed of gift and dedication in 1994 to the Town of Leesburg, Virginia consisting of special revenue funds held and the real property referred to as Thomas Balch Library. The Town has complied with all restrictive covenants on the use of the funds and structures.

#### **Note 13. Surety Bonds**

The Town has the following surety bonds:

Fidelity and Deposit Company – Surety, Paul E. York – Director of Finance	\$ 500,000
The Virginia Municipal Liability Pool - Surety Employee Dishonesty – Blanket Bond	100,000

#### **Note 14. Post-Employment Health Care Benefits**

In addition to providing pension benefits, the Town provides for certain health care insurance benefits for retired public employees. Substantially all of the Town's public employees may become eligible for those benefits if they reach normal retirement age while working for the Town. The cost of retiree health care insurance benefits is recognized as an expenditure as premiums are paid. For 2003, those costs totalled \$52,928 covering 15 employees.

## TOWN OF LEESBURG, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 15. Defined Benefit Pension Plan

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service (age 60 for participating local law enforcement officers, firefighters and sheriffs) or at age 50 with at least 30 years of service if elected by the employee (age 50 with 25 years of service for participating local law enforcement officers, firefighters and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Participating local law enforcement officers, firefighters and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to the System at P. O. Box 2500, Richmond, Virginia, 23218-2500.

#### Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The 5% member contribution has been assumed by the Town. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Town of Leesburg's contribution rate for the fiscal year ended June 30, 2003 was 11.00% of annual covered payroll.



## TOWN OF LEESBURG, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 15. Defined Benefit Pension Plan (Continued)

##### Annual Pension Cost (APC)

For 2003, the Town of Leesburg's annual pension cost of \$1,549,227 was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases ranging from 4.25% to 6.10% per year, and (c) 3.0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 30 years or less.

Three-year trend information for the Town is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2001	\$ 1,150,654	100%	\$ -
June 30, 2002	1,338,772	100%	-
June 30, 2003	1,549,227	100%	-

#### Note 16. Risk Management

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To reduce insurance costs and the need for self-insurance, the Town has joined with other municipalities in the Commonwealth of Virginia in several public entity risk pools that operate as common risk management and insurance programs for member municipalities. Settled claims exceeded insurance coverage during fiscal year 2001 by approximately \$958,000. Settled claims from these risks did not exceed coverage in fiscal years 2003 and 2002.

The Town also has coverage with the Virginia Municipal Group Self Insurance Association (Association) for workers' compensation. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Town pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the case for both pools, if the event of a loss deficit and depletion of all available excess insurance, the pools may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

## TOWN OF LEESBURG, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 16. Risk Management (Continued)

The Town participates in VaCorp, which is a public entity risk pool that provides commercial general liability, property, automobile, and other types of insurance coverage to Virginia localities.

The Town has chosen to partially retain the risk associated with the employees' health and dental insurance plan. Risk is retained up to the limits based on monthly claims paid per employee and a 125% aggregate stop loss for total claims paid during the year. The risk financing is accounted for in the General Fund and Water and Sewer Fund. Premiums are paid for all full-time employees of the Town to a claim administrator which processes all claims.

Liabilities are reported when it is probably that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering recent settlement trends including frequency and amount of pay-outs. The change in the claims liabilities balance during the past two years is as follows:

	2003	2002
Unpaid claims, July 1	\$ 741,772	\$ 633,345
Incurred claims (including IBNR)	2,038,587	1,959,109
Claim payments	(2,335,136)	(1,850,682)
Unpaid claims, June 30	<u>\$ 445,223</u>	<u>\$ 741,772</u>

#### Note 17. Sewer Line Reimbursement Commitment

In 1977, the School Board of Loudoun County, Virginia agreed to advance the Town \$166,407 for development of a Town sewer line. The Town agreed to reimburse the School Board the advance and 6% per annum as the Town collects availability fees from permits issued for connection to the sewer line. In no event does the Town have a liability beyond collected availability fees with the agreement for reimbursement terminating 2007. Payments made to the County, including principal and interest, have amounted to \$71,264.

## TOWN OF LEESBURG, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

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#### Note 18. Operating Rental Income Lease

The Town leases various owned airport properties under non-cancelable operating leases. The leases provide for annual rental increases and pass-through of certain maintenance costs. The lease terms expire April 2018 and January 2026.

The following schedule represents minimum rental income under the above leases as of June 30, 2003:

Year Ending June 30,	Rental Income
2004	\$ 241,169
2005	187,002
2006	169,297
2007	169,831
2008	170,380
2009-2013	860,669
2014-2018	851,849
2019-2023	145,905
2024-2026	80,605
Total	<u>\$ 2,876,707</u>

#### Note 19. Reclassifications

Certain amounts presented in the comparative totals for 2002 have been reclassified, with no effect to the net assets, change in net assets or net increase/decrease in cash, to be consistent with the classifications adopted for fiscal year 2003.

#### Note 20. Pending GASB Statements

At June 30, 2003, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the Town. The statements which might impact the Town are as follows:

GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement No. 14, provides guidance for identifying and reporting component units. The provisions of Statement 39 will be effective for periods beginning after June 15, 2003.

GASB Statement 40, *Deposits and Investment Risk Disclosures*, an amendment of GASB Statement No. 3, requires certain disclosures of investments that are highly sensitive to interest rate risk and modifies custodial credit risk disclosures of Statement No. 3. The provisions of Statement 40 will be effective for periods beginning after June 2004.



## REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF LEESBURG, VIRGINIA**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (Asset)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability (Asset) as a Percentage of Covered Payroll
June 30, 2002	\$ 20,544,468	\$ 22,396,641	\$ 1,852,173	91.73%	\$12,561,755	14.74%
June 30, 2001	18,737,873	18,294,176	(443,697)	102.43%	10,649,142	(4.17)%
June 30, 2000	16,219,505	15,491,764	(727,741)	104.70%	8,688,840	(8.38)%

## **SUPPLEMENTARY STATEMENTS**

### **NONMAJOR GOVERNMENTAL FUNDS**

#### **Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Balch Library Fund – This fund is used to account for the donations and legally restricted revenues that are to be used to maintain the Balch Library.

Irwin W. Uran Fund – This fund is used to account for the private donations and interest revenue designated by the donor for specific purposes.

#### **Capital Projects Funds**

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Storm Drains Capital Projects Fund – This fund is used to account for the construction and expansion of the Town's storm drainage system.

Parks and Recreation Capital Projects Fund – This fund is used to account for the construction and improvements of the Town's parks and recreation facilities.

## TOWN OF LEESBURG, VIRGINIA

Exhibit A-1

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2003

	Special Revenue		Capital Projects		Total Nonmajor Governmental Funds
	Balch Library	Irwin W. Uran	Storm Drains	Parks and Recreation	
<b>ASSETS</b>					
Cash, cash equivalents, and temporary cash investments	\$ 50,555	\$ 1,867,662	\$ 2,009,262	\$ 586,670	\$ 4,514,149
Due from other governments	-	-	-	98,500	98,500
<b>Total assets</b>	<b>\$ 50,555</b>	<b>\$ 1,867,662</b>	<b>\$ 2,009,262</b>	<b>\$ 685,170</b>	<b>\$ 4,612,649</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	\$ 17,292	\$ 2,379	\$ 92,487	\$ 112,158
<b>Total liabilities</b>	<b>-</b>	<b>17,292</b>	<b>2,379</b>	<b>92,487</b>	<b>112,158</b>
Fund balances:					
Unreserved, designated for future expenditures	50,555	1,850,370	2,006,883	592,683	4,500,491
<b>Total fund balances</b>	<b>50,555</b>	<b>1,850,370</b>	<b>2,006,883</b>	<b>592,683</b>	<b>4,500,491</b>
<b>Total liabilities and fund balances</b>	<b>\$ 50,555</b>	<b>\$ 1,867,662</b>	<b>\$ 2,009,262</b>	<b>\$ 685,170</b>	<b>\$ 4,612,649</b>



## TOWN OF LEESBURG, VIRGINIA

Exhibit A-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2003

	Special Revenue		Capital Projects		Total Nonmajor Governmental Funds
	Balch Library	Irwin W. Uran	Storm Drains	Parks and Recreation	
Revenues:					
Revenue from local sources:					
Use of money and property	\$ 5,865	\$ 20,475	\$ 12,258	\$ 42,291	\$ 80,889
Donations	-	225,000	-	-	225,000
<b>Total revenue</b>	<b>5,865</b>	<b>245,475</b>	<b>12,258</b>	<b>42,291</b>	<b>305,889</b>
Expenditures:					
Contractual services	-	3,261	-	-	3,261
Contributions	-	17,292	-	-	17,292
Capital outlays	1,670	-	141,301	1,969,383	2,112,354
<b>Total expenditures</b>	<b>1,670</b>	<b>20,553</b>	<b>141,301</b>	<b>1,969,383</b>	<b>2,132,907</b>
<b>Revenues over (under) expenditures</b>	<b>4,195</b>	<b>224,922</b>	<b>(129,043)</b>	<b>(1,927,092)</b>	<b>(1,827,018)</b>
Other financing sources (uses):					
Transfers in	-	-	355,000	-	355,000
Transfers out	-	(314,000)	(168,053)	(1,719,950)	(2,202,003)
<b>Total other financing sources (uses), net</b>	<b>-</b>	<b>(314,000)</b>	<b>186,947</b>	<b>(1,719,950)</b>	<b>(1,847,003)</b>
<b>Net change in fund balances</b>	<b>4,195</b>	<b>(89,078)</b>	<b>57,904</b>	<b>(3,647,042)</b>	<b>(3,674,021)</b>
Fund balances, beginning	46,360	1,939,448	1,948,979	4,239,725	8,174,512
Fund balances, ending	\$ 50,555	\$ 1,850,370	\$ 2,006,883	\$ 592,683	\$ 4,500,491



## **SUPPLEMENTAL SCHEDULES**

## TOWN OF LEESBURG, VIRGINIA

Exhibit B-3

Page 1

**GENERAL FUND  
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES  
COMPARED WITH FINAL BUDGET  
Year Ended June 30, 2003**

	Budgeted Amounts		Encumbrances	Expenditures	Total Encumbrances and Expenditures	Variance with Final Budget Over (Under)
	Original	Final				
<b>Legislative:</b>						
Town council:						
Personal service	\$ 61,900	\$ 61,900	\$ -	\$ 60,748	\$ 60,748	\$ (1,152)
Contractual service	15,400	15,400	-	3,260	3,260	(12,140)
Materials and supplies	40,250	40,250	-	32,169	32,169	(8,081)
Contributions	12,500	12,500	-	12,500	12,500	-
Total town council	130,050	130,050	-	108,677	108,677	(21,373)
Clerk of council:						
Personal service	111,440	111,440	-	113,927	113,927	2,487
Contractual service	15,000	15,000	-	2,848	2,848	(12,152)
Materials and supplies	7,290	7,290	-	5,082	5,082	(2,208)
Capital outlays	825	825	-	679	679	(146)
Total clerk of council	134,555	134,555	-	122,536	122,536	(12,019)
Total legislative	264,605	264,605	-	231,213	231,213	(33,392)
<b>Executive:</b>						
Town manager:						
Personal service	588,985	588,985	-	590,873	590,873	1,888
Contractual service	250,921	280,921	30,445	99,168	129,613	(151,308)
Materials and supplies	65,200	70,200	-	50,292	50,292	(19,908)
Capital outlays	-	-	-	143	143	143
Total town manager	905,106	940,106	30,445	740,476	770,921	(169,185)
Personnel administration:						
Personal service	362,920	362,920	-	359,158	359,158	(3,762)
Contractual service	121,975	121,975	3,761	99,112	102,873	(19,102)
Materials and supplies	42,500	42,500	281	16,293	16,574	(25,926)
Total personnel administration	527,395	527,395	4,042	474,563	478,605	(48,790)
Information technology:						
Personal service	409,730	409,730	-	396,795	396,795	(12,935)
Contractual service	298,700	271,850	128,488	133,465	261,953	(9,897)
Materials and supplies	63,800	58,350	-	51,963	51,963	(6,387)
Capital outlays	61,250	93,550	5,733	102,728	108,461	14,911
Total information technology	833,480	833,480	134,221	684,951	819,172	(14,308)
Tree commission:						
Personal service	4,520	4,520	-	4,522	4,522	2
Materials and supplies	10,000	10,000	-	1,923	1,923	(8,077)
Total tree commission	14,520	14,520	-	6,445	6,445	(8,075)
Cable TV commission:						
Personal service	4,520	4,520	-	3,391	3,391	(1,129)
Contractual service	12,000	12,000	-	58	58	(11,942)
Materials and supplies	4,050	4,050	-	2,079	2,079	(1,971)
Total cable TV commission	20,570	20,570	-	5,528	5,528	(15,042)
Economic development:						
Personal service	219,650	219,650	-	139,736	139,736	(79,914)
Contractual service	320,798	344,698	82,936	206,674	289,610	(55,088)
Materials and supplies	35,975	35,975	1,000	21,564	22,564	(13,411)
Capital outlays	-	7,100	2,015	555	2,570	(4,530)
Contributions	172,415	172,415	-	157,483	157,483	(14,932)
Total economic development	748,838	779,838	85,951	526,012	611,963	(167,875)

## TOWN OF LEESBURG, VIRGINIA

Exhibit B-3

Page 2

GENERAL FUND  
 SCHEDULE OF EXPENDITURES AND ENCUMBRANCES  
 COMPARED WITH FINAL BUDGET  
 Year Ended June 30, 2003

	Budgeted Amounts		Encumbrances	Expenditures	Total	Variance with
	Original	Final			Encumbrances and Expenditures	Final Budget Over (Under)
Executive (Continued):						
Environmental advisory committee:						
Personal service	\$ 4,520	\$ 4,520	\$ -	\$ 2,914	\$ 2,914	\$ (1,606)
Contractual service	6,000	6,000	-	600	600	(5,400)
Materials and supplies	9,000	9,000	-	389	389	(8,611)
Total environmental advisory committee	19,520	19,520	-	3,903	3,903	(15,617)
Total executive	3,069,429	3,135,429	254,659	2,441,878	2,696,537	(438,892)
Legal:						
Town attorney:						
Personal service	193,435	193,435	-	162,355	162,355	(31,080)
Contractual service	40,000	40,000	-	21,463	21,463	(18,537)
Materials and supplies	6,465	6,465	-	3,810	3,810	(2,655)
Total legal	239,900	239,900	-	187,628	187,628	(52,272)
Planning, zoning, and development						
Personal service	1,603,020	1,603,020	-	1,345,729	1,345,729	(257,291)
Contractual service	48,501	48,501	43,840	15,076	58,916	10,415
Materials and supplies	63,225	61,825	-	41,950	41,950	(19,875)
Capital outlays	61,412	62,812	-	27,082	27,082	(35,730)
Total planning, zoning, and development	1,776,158	1,776,158	43,840	1,429,837	1,473,677	(302,481)
Finance:						
Administration:						
Personal service	872,220	872,220	-	841,946	841,946	(30,274)
Contractual service	331,631	331,631	4,920	374,625	379,545	47,914
Materials and supplies	158,800	158,800	-	142,038	142,038	(16,762)
Capital outlays	9,660	9,660	-	427	427	(9,233)
Total administration	1,372,311	1,372,311	4,920	1,359,036	1,363,956	(8,355)
Budget:						
Personal service	153,800	153,800	-	142,941	142,941	(10,859)
Contractual service	5,000	5,000	250	1,809	2,059	(2,941)
Materials and supplies	5,350	5,350	-	378	378	(4,972)
Total budget	164,150	164,150	250	145,128	145,378	(18,772)
Purchasing:						
Personal service	122,385	122,385	-	121,146	121,146	(1,239)
Contractual service	-	-	1,530	156	1,686	1,686
Materials and supplies	12,980	12,980	-	5,346	5,346	(7,634)
Total purchasing	135,365	135,365	1,530	126,648	128,178	(7,187)
Total finance	1,671,826	1,671,826	6,700	1,630,812	1,637,512	(34,314)
Public safety:						
Personal service	5,360,020	5,360,020	-	5,059,116	5,059,116	(300,904)
Contractual service	324,358	323,058	14,673	226,086	240,759	(82,299)
Materials and supplies	430,448	446,748	12,389	317,603	329,992	(116,756)
Capital outlays	468,626	786,626	98,998	552,852	651,850	(134,776)
Contributions - local fire and rescue	288,000	288,000	-	674,882	674,882	386,882
Total public safety	6,871,452	7,204,452	126,060	6,830,539	6,956,599	(247,853)

## TOWN OF LEESBURG, VIRGINIA

Exhibit B-3

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**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND ENCUMBRANCES**  
**COMPARED WITH FINAL BUDGET**  
**Year Ended June 30, 2003**

	Budgeted Amounts		Encumbrances	Expenditures	Total Encumbrances and Expenditures	Variance with Final Budget Over (Under)
	Original	Final			Expenditures	
<b>Parks and recreation:</b>						
Personal service	\$ 2,821,679	\$ 2,849,329	\$ -	\$ 2,860,821	\$ 2,860,821	\$ 11,492
Contractual service	653,989	653,989	23,303	457,868	481,171	(172,818)
Materials and supplies	579,301	594,401	8,433	541,166	549,599	(44,802)
Rent	97,750	97,750	-	101,493	101,493	3,743
Capital outlays	66,821	230,021	17,698	176,329	194,027	(35,994)
Total parks and recreation	4,219,540	4,425,490	49,434	4,137,677	4,187,111	(238,379)
<b>Balch library:</b>						
Personal service	264,940	264,940	-	260,732	260,732	(4,208)
Contractual service	41,791	41,791	1,518	35,297	36,815	(4,976)
Materials and supplies	51,210	52,210	-	40,059	40,059	(12,151)
Capital outlays	-	-	-	3,847	3,847	3,847
Contributions	7,000	7,000	-	7,000	7,000	-
Total Balch library	364,941	365,941	1,518	346,935	348,453	(17,488)
<b>Engineering and public works:</b>						
<b>Engineering:</b>						
Personal service	1,571,900	1,571,900	-	1,454,512	1,454,512	(117,388)
Contractual service	413,269	413,269	8,629	88,896	97,525	(315,744)
Materials and supplies	48,810	48,810	-	35,474	35,474	(13,336)
Capital outlays	48,300	48,300	-	32,987	32,987	(15,313)
Total engineering	2,082,279	2,082,279	8,629	1,611,869	1,620,498	(461,781)
<b>Administration:</b>						
Personal service	413,680	413,680	-	410,780	410,780	(2,900)
Contractual service	352,062	352,062	173,788	138,005	311,793	(40,269)
Materials and supplies	11,400	11,400	-	8,596	8,596	(2,804)
Capital outlays	2,500	2,500	-	-	-	(2,500)
Total administration	779,642	779,642	173,788	557,381	731,169	(48,473)
<b>Street maintenance:</b>						
Personal service	1,475,360	1,481,859	-	1,324,602	1,324,602	(157,257)
Contractual service	864,640	928,802	223,070	722,600	945,670	16,868
Materials and supplies	149,425	149,425	-	145,703	145,703	(3,722)
Capital outlays	243,200	243,200	35,111	129,701	164,812	(78,388)
Total street maintenance	2,732,625	2,803,286	258,181	2,322,606	2,580,787	(222,499)
<b>Storm drainage:</b>						
Contractual service	23,420	23,420	23,058	362	23,420	-
Total storm drainage	23,420	23,420	23,058	362	23,420	-
<b>Street lights:</b>						
Electricity	260,000	260,000	-	219,628	219,628	(40,372)
Capital outlays	183,355	183,355	12,847	163,423	176,270	(7,085)
Total street lights	443,355	443,355	12,847	383,051	395,898	(47,457)
<b>Parking meters and lots:</b>						
Personal service	40,181	40,181	-	40,291	40,291	110
Contractual service	49,000	49,000	9,445	6,759	16,204	(32,796)
Materials and supplies	10,000	10,000	-	1,578	1,578	(8,422)
Capital outlays	25,500	25,500	-	20,896	20,896	(4,604)
Total parking meters and lots	124,681	124,681	9,445	69,524	78,969	(45,712)

## TOWN OF LEESBURG, VIRGINIA

Exhibit B-3

Page 4

GENERAL FUND  
 SCHEDULE OF EXPENDITURES AND ENCUMBRANCES  
 COMPARED WITH FINAL BUDGET  
 Year Ended June 30, 2003

	Budgeted Amounts		Encumbrances	Expenditures	Total Encumbrances and Expenditures	Variance with Final Budget Over (Under)
	Original	Final			Expenditures	(Under)
Engineering and public works (continued):						
Refuse collection:						
Contractual service	\$ 1,700,000	\$ 1,700,000	\$ 9,000	\$ 1,610,350	\$ 1,619,350	\$ (80,650)
Materials and supplies	11,000	11,000	3,425	4,793	8,218	(2,782)
Total refuse collection	1,711,000	1,711,000	12,425	1,615,143	1,627,568	(63,432)
Maintenance of buildings and grounds:						
Personal service	201,565	201,565	-	208,170	208,170	6,605
Contractual service	149,640	149,640	16,190	99,632	115,822	(33,818)
Materials and supplies	134,000	134,000	-	84,954	84,954	(49,046)
Rent	-	-	-	5,263	5,263	5,263
Capital outlays	13,000	13,000	7,497	-	7,497	(5,503)
Total maintenance of buildings and grounds	498,205	498,205	23,687	398,019	421,706	(76,499)
Equipment maintenance:						
Personal service	356,445	356,445	-	363,732	363,732	7,287
Contractual service	26,000	26,000	32,485	19,445	51,930	25,930
Materials and supplies	302,650	302,650	-	351,953	351,953	49,303
Capital outlays	11,700	11,700	1,785	7,262	9,047	(2,653)
Total equipment maintenance	696,795	696,795	34,270	742,392	776,662	79,867
Total engineering and public works	9,092,002	9,162,663	556,330	7,700,347	8,256,677	(905,986)
Total expenditures and encumbrances	27,569,853	28,246,464	1,038,541	24,936,866	25,975,407	(2,271,057)
Other financing uses:						
Payment to escrow agent	-	-	-	5,780,087	5,780,087	5,780,087
Transfers out	5,744,373	5,744,373	-	7,807,644	7,807,644	2,063,271
Total other financing uses	5,744,373	5,744,373	-	13,587,731	13,587,731	7,843,358
Total General Fund expenditures, encumbrances, and other financing uses	\$ 33,314,226	\$ 33,990,837	\$ 1,038,541	\$ 38,524,597	\$ 39,563,138	\$ 5,572,301

## TOWN OF LEESBURG, VIRGINIA

Exhibit C-1

**AIRPORT FUND**  
**COMPARATIVE STATEMENTS OF NET ASSETS**  
**June 30, 2003**  
**(With Comparative Totals for 2002)**

	2003	2002
<b>ASSETS</b>		
Current Assets:		
Cash, cash equivalents, and temporary cash investments	\$ 852,166	\$ 73,428
Accounts receivable, net	67,024	65,314
Due from other governments	511,668	755,347
<b>Total current assets</b>	<b>1,430,858</b>	<b>894,089</b>
Noncurrent Assets:		
Capital assets:		
Land	9,089,063	8,785,337
Buildings and improvements	2,236,063	2,236,063
Equipment	1,245,130	1,426,216
Hangars	3,184,882	3,184,882
Runway	12,424,868	9,658,557
Construction in progress	2,007,477	2,342,656
Less: accumulated depreciation	(4,084,617)	(3,693,422)
<b>Total noncurrent assets</b>	<b>26,102,866</b>	<b>23,940,289</b>
<b>Total assets</b>	<b>27,533,724</b>	<b>24,834,378</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	361,973	448,363
Accrued payroll	2,976	4,042
Accrued interest	99,870	54,419
Compensated absences	172	1,000
Retainage payable	110,014	249,303
Advances from other funds	697,736	697,736
Bonds payable	199,780	169,781
Customer deposits and contingent charges	19,175	21,015
<b>Total current liabilities</b>	<b>1,491,696</b>	<b>1,645,659</b>
Noncurrent Liabilities:		
Compensated absences	7,883	5,191
Bonds payable	4,783,506	2,939,242
<b>Total noncurrent liabilities</b>	<b>4,791,389</b>	<b>2,944,433</b>
<b>Total liabilities</b>	<b>6,283,085</b>	<b>4,590,092</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	21,119,580	20,831,266
Unrestricted (deficit)	131,059	(586,980)
<b>Total net assets</b>	<b>\$ 21,250,639</b>	<b>\$ 20,244,286</b>



## TOWN OF LEESBURG, VIRGINIA

Exhibit C-2

## AIRPORT FUND

## COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year Ended June 30, 2003

(With Comparative Totals for 2002)

	2003	2002
Operating Revenues:		
Charges for services	\$ 848,521	\$ 701,854
<b>Total operating revenues</b>	<b>848,521</b>	<b>701,854</b>
Operating Expenses:		
Personal service	279,928	251,944
Contractual services	80,736	97,991
Depreciation	500,643	478,893
Other charges	82,286	76,221
<b>Total operating expenses</b>	<b>943,593</b>	<b>905,049</b>
<b>Operating loss</b>	<b>(95,072)</b>	<b>(203,195)</b>
Nonoperating Revenues (Expenses):		
Interest on investments	19,790	57,357
Interest and fiscal charges on bonds	(262,527)	(133,305)
Loss on disposal of assets	(71,636)	(6,255)
<b>Total nonoperating expenses, net</b>	<b>(314,373)</b>	<b>(82,203)</b>
<b>Loss before grants and transfers</b>	<b>(409,445)</b>	<b>(285,398)</b>
Capital grant revenue	1,426,346	2,595,903
Transfers in	299,117	435,745
Transfers out	(309,665)	(150,000)
<b>Change in net assets</b>	<b>1,006,353</b>	<b>2,596,250</b>
<b>Total net assets, beginning</b>	<b>20,244,286</b>	<b>17,648,036</b>
<b>Total net assets, ending</b>	<b>\$ 21,250,639</b>	<b>\$ 20,244,286</b>

## TOWN OF LEESBURG, VIRGINIA

Exhibit C-3

**AIRPORT FUND**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**Year Ended June 30, 2003**  
**(With Comparative Totals for 2002)**

	2003	2002
<b>Cash Flows From Operating Activities:</b>		
Receipts from customers	\$ 844,971	\$ 691,314
Payments to suppliers for goods and services	(179,062)	(135,844)
Payments to employees for services	(279,130)	(247,941)
<b>Net cash provided by operating activities</b>	<b>386,779</b>	<b>307,529</b>
<b>Cash Flows From Noncapital and Related Financing Activities:</b>		
Transfers out	(309,665)	(150,000)
Transfers in	299,117	435,745
<b>Net cash provided by (used in) noncapital and related financing activities</b>	<b>(10,548)</b>	<b>285,745</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Grant revenue	1,670,025	1,840,556
Acquisition and construction of capital assets	(2,944,495)	(3,356,673)
Interest	(217,076)	(160,839)
Proceeds from debt issuance	2,131,895	-
Payments to escrow agent and issuance costs	(85,855)	-
Principal paid on bonds	(171,777)	(169,896)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>382,717</b>	<b>(1,846,852)</b>
<b>Cash Flows From Investing Activities:</b>		
Interest on investments	19,790	57,357
<b>Net cash provided by investing activities</b>	<b>19,790</b>	<b>57,357</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>778,738</b>	<b>(1,196,221)</b>
<b>Cash and Cash Equivalents</b>		
Beginning	73,428	1,269,649
Ending	\$ 852,166	\$ 73,428
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating loss	\$ (95,072)	\$ (203,195)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	500,643	478,893
Changes in assets and liabilities:		
Increase in accounts receivable	(1,710)	(10,540)
Increase (decrease) in:		
Accounts payable	(16,040)	38,023
Accrued liabilities	(1,066)	20
Compensated absences	1,864	3,983
Deposits and contingent charges	(1,840)	345
<b>Net cash provided by operating activities</b>	<b>\$ 386,779</b>	<b>\$ 307,529</b>
<b>Supplemental Disclosure of Noncash Capital and Related Financing Activities:</b>		
Cash payments for interest, net of capitalized interest of \$32,821 in 2003 and \$65,101 in 2002	\$ 217,076	\$ 160,839
Capital assets acquired through incurrence of accounts and retainage payable	\$ 479,279	\$ 659,643

## TOWN OF LEESBURG, VIRGINIA

Exhibit C-4

WATER AND SEWER FUND  
 COMPARATIVE STATEMENTS OF NET ASSETS  
 June 30, 2003  
 (With Comparative Totals for 2002)

	2003	2002
<b>ASSETS</b>		
Current Assets:		
Cash, cash equivalents, and temporary cash investments	\$ 42,535,809	\$ 38,516,872
Accounts receivable, net	1,408,501	1,499,750
Accrued interest	93,706	378,446
<b>Total current assets</b>	<b>44,038,016</b>	<b>40,526,258</b>
Noncurrent Assets:		
Restricted cash	589,363	1,643,386
Deferred charges	149,728	131,190
Capital assets:		
Land	1,586,356	182,901
Water system	47,253,723	45,508,265
Sewer system	71,218,102	70,617,935
Equipment	1,990,098	1,663,329
Software	13,000	13,000
Construction in progress	3,156,248	1,440,687
Less accumulated depreciation	(23,152,753)	(20,488,633)
<b>Total capital assets, net</b>	<b>102,064,774</b>	<b>98,937,484</b>
<b>Total noncurrent assets</b>	<b>102,803,865</b>	<b>100,712,060</b>
<b>Total assets</b>	<b>146,841,881</b>	<b>141,107,128</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	1,153,122	445,250
Accrued payroll	82,777	65,308
Accrued insurance claims	113,758	158,345
Accrued interest	735,656	799,295
Compensated absences	27,444	5,104
Retainage payable	4,586	478,659
Bonds payable	949,900	1,467,401
Customer deposits and contingent charges	1,009,287	897,560
<b>Total current liabilities</b>	<b>4,076,530</b>	<b>4,316,922</b>
Noncurrent liabilities:		
Compensated absences	245,181	235,000
Bonds payable	33,392,242	34,189,666
<b>Total noncurrent liabilities</b>	<b>33,637,423</b>	<b>34,424,666</b>
<b>Total liabilities</b>	<b>37,713,953</b>	<b>38,741,588</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	67,722,632	63,280,417
Unrestricted	41,405,296	39,085,123
<b>Total net assets</b>	<b>\$ 109,127,928</b>	<b>\$ 102,365,540</b>

## TOWN OF LEESBURG, VIRGINIA

Exhibit C-5

## WATER AND SEWER FUND

## COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year Ended June 30, 2003

(With Comparative Totals for 2002)

	2003	2002
Operating Revenues:		
Charges for services	\$ 7,809,012	\$ 7,553,799
Other	77,854	214,197
<b>Total operating revenues</b>	<b>7,886,866</b>	<b>7,767,996</b>
Operating Expenses:		
Personal service	4,459,019	3,915,648
Contractual services	370,052	1,021,805
Depreciation	2,664,120	2,637,377
Other charges	2,846,772	1,398,445
<b>Total operating expenses</b>	<b>10,339,963</b>	<b>8,973,275</b>
<b>Operating loss</b>	<b>(2,453,097)</b>	<b>(1,205,279)</b>
Nonoperating Revenues (Expenses):		
Interest on Investments	645,493	1,298,959
Interest and fiscal charges on bonds	(1,745,030)	(1,744,678)
<b>Total nonoperating expenses, net</b>	<b>(1,099,537)</b>	<b>(445,719)</b>
<b>Loss before grants, contributions and transfers</b>	<b>(3,552,634)</b>	<b>(1,650,998)</b>
Capital grant revenue	66,439	376,489
Installation and connection charges	11,005,753	10,853,399
Developer donated assets	1,045,830	1,105,781
Transfers out	(1,803,000)	(1,633,032)
<b>Change in net assets</b>	<b>6,762,388</b>	<b>9,051,639</b>
Total net assets, beginning	102,365,540	93,313,901
Total net assets, ending	\$ 109,127,928	\$ 102,365,540

## TOWN OF LEESBURG, VIRGINIA

Exhibit C-6

**WATER AND SEWER FUND**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**Year Ended June 30, 2003**  
**(With Comparative Totals for 2002)**

	2003	2002
<b>Cash Flows From Operating Activities:</b>		
Receipts from customers	\$ 8,011,988	\$ 7,542,851
Payments to suppliers for goods and services	(2,742,564)	(2,761,550)
Payments to employees for services	(4,453,616)	(3,846,210)
Internal activity - payments from other funds	-	458,146
Other receipts (payments)	77,854	214,197
<b>Net cash provided by operating activities</b>	<b>893,662</b>	<b>1,607,434</b>
<b>Cash Flows From Noncapital and Related Financing Activities:</b>		
Transfers out	(1,803,000)	(1,633,032)
<b>Net cash used in noncapital and related financing activities</b>	<b>(1,803,000)</b>	<b>(1,633,032)</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Connection availability fees	11,005,753	10,853,399
Grant revenue	66,439	376,489
Acquisition and construction of capital assets	(4,986,041)	(6,117,299)
Interest	(1,674,731)	(1,596,047)
Proceeds from debt issuance	2,335,494	962,525
Payments to escrow agent and issuance costs	(2,335,494)	-
Principal paid on bonds	(1,467,401)	(1,332,710)
<b>Net cash provided by capital and related financing activities</b>	<b>2,944,019</b>	<b>3,146,357</b>
<b>Cash Flows From Investing Activities:</b>		
Interest on investments	930,233	1,181,495
<b>Net cash provided by investing activities</b>	<b>930,233</b>	<b>1,181,495</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,964,914</b>	<b>4,302,254</b>
<b>Cash and Cash Equivalents:</b>		
Beginning	40,160,258	35,858,004
Ending	<u>\$ 43,125,172</u>	<u>\$ 40,160,258</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating loss	\$ (2,453,097)	\$ (1,205,279)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	2,664,120	2,637,377
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	91,249	(79,094)
Due from other funds	-	458,146
Increase (decrease) in:		
Accounts payable	474,260	(341,300)
Accrued liabilities	(27,118)	(3,591)
Compensated absences	32,521	73,029
Deposits and contingent charges	111,727	68,146
<b>Net cash provided by operating activities</b>	<b>\$ 893,662</b>	<b>\$ 1,607,434</b>
<b>Supplemental Disclosure of Noncash Capital and Related Financing Activities:</b>		
Developer donated capital improvements	<u>\$ 1,045,830</u>	<u>\$ 1,105,781</u>
Cash payments for interest, net of capitalized interest, of \$73,596 in 2003 and \$172,124 in 2002	<u>\$ 1,674,731</u>	<u>\$ 1,596,047</u>
Capital assets acquired through incurrence of accounts and retainage payable	<u>\$ 342,148</u>	<u>\$ 582,609</u>

